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Bolivia: 5.00 Bs Jordan: 0.675 Dhs. Rep. of Ireland: 25 P.
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Stocks Renew Fall, With 2d-Biggest Drop in Dow Weak Dollar Depresses Markets New York Index Slides 157 Points

By Ferdinand Protzman
International Herald Tribune

The dollar plunged 4 pence in Frankfurt on Monday, and its weakness unleashed further steep declines on the world's major stock exchanges.

Central banks moved in to support the U.S. currency. In London the dollar closed just 1.25 pence lower for the day and by the close in New York the dollar was marginally higher against the mark and some other currencies.

Participants in both the currency and stock markets cited the same factor as the cause of declines: the need for the United States to take rapid, tangible steps to lower its huge budget and trade deficits.

The day's trading was extremely nervous, dealers in Europe said.

"There are rumors of new ranges for the dollar, speculation that the G-7 will meet this weekend," one dealer said, referring to currency support levels set by the Group of Seven leading industrial nations.

"The anxiety is enormous. The attitude is much different from before the stock crash last

Monday, although currency rates have held relatively stable since then."

The nervousness and speculation played into heavy selling sentiment coming from Asia. Overnight in Tokyo, the dollar closed at 141.80 yen, down from 144.20 on Friday.

Then in Frankfurt, the dollar fell to 1.7692 Deutsche marks at the midday fixing from 1.8060 at Friday's official setting. The Bundesbank, West Germany's central bank, intervened at the fixing, purchasing \$2.7 million to support the U.S. currency.

The Bank of England joined the intervention, and the dollar closed in London at 1.7760 DM, down from 1.7885 on Friday.

In New York, where the dollar had plunged sharply on Friday, it closed at 1.7780, slightly higher than the previous 1.7780.

"The majority of the downward movement took place in New York on Friday," said James Vick, senior corporate trader at Manufacturers Hanover Corp.

He said the Bundesbank intervention represented a "token amount relative to the flows that go through foreign-exchange markets. Yet it was a signal to the markets. A reminder that they are there."

The rumors of an imminent meeting of the world's seven leading industrial democracies began last week and have continued despite denials Britain, France, West Germany, the United States and Japan that they are preparing major economic changes or planning an emergency meeting for the coming weekend. Italy and Canada are the other G-7 members.

The lack of firm statements of intent on the currency situation by the United States and other members of the G-7 is adding to the tension, dealers said.

Britain's chancellor of the Exchequer, Nigel Lawson, said Monday that West Germany was not doing enough to alleviate pressure on the market.

"What is not required in current world circumstances is either a lurch into protectionism or undue monetary tightening," he said. "It would certainly be helpful if the German monetary authorities were to show more obvious awareness of this."

Some currency dealers suggested that Mr. Baker's meeting last week in Frankfurt with the West German finance minister, Gerhard Stoltenberg, and the Bundesbank president, Karl

Compiled by Our Staff From Dispatches

NEW YORK — A new wave of selling gripped the New York Stock Exchange on Monday, and the Dow Jones industrial average skidded 156.83 points, its second-worst single-day performance.

The plunge followed severe market declines in Asia and Europe and occurred as investors looked to Washington for signs that President Ronald Reagan had realized the severity of the financial markets' confidence crisis and would turn his attention to reducing the enormous U.S. budget and trade deficits.

But Mr. Reagan said Monday after trading had ended that the stock market plunge was simply a case where "the market overpriced itself and is now making a corrective change."

He made the comment in an interview with foreign television correspondents. By some estimates, investors have lost about \$1 trillion over the last few weeks.

"I wonder sometimes if what happened in the market is not a case of maybe the market overpriced itself and is now making a corrective change," Mr. Reagan said.

The Dow ended at 1,793.93, down another

8.04 percent. Monday's drop was surpassed only by the 508-point fall a week earlier.

After last week's ferocious beginning, the Dow index recovered nearly 300 points on Tuesday and Wednesday and finally ended Friday with a loss of 296 points for the five days. The huge drop on Monday, however, erased most of last week's partial recovery.

Volume rose to 308.8 million shares, the sixth-heaviest trading in NYSE history, even though the trading session was two hours shorter than usual.

After trading ended, the NYSE announced that it would extend the shortened hours through Friday. The abbreviated sessions were begun last Friday to give the financial community time to process paperwork from recent frenetic trading.

Since the market began its collapse last week, the Dow has given up more than 20 percent of its value. Since its historic high of 2,722.42, on Aug. 25, the average has given back 34 percent.

Monday's drop was the blue-chip indicator's sixth-largest percentage decline since the average was expanded to include 30 stocks, in 1928.

The loss on Monday was broad, another

dismal factor. For every NYSE share that gained in value, nearly 14 shares fell.

The New York Stock Exchange Stock Index dropped 11.34, or 0.81 percent, to 127.88. Standard & Poor's 500-Stock Index fell 20.55, or 0.3 percent, to 227.67. The price of an average share fell \$2.57.

A widely respected Wall Street analyst predicted that the Dow would fall to between 1,300 and 1,500 within the next week.

Elaine Garzarelli, an analyst at Shearson Lehman Brothers Inc., said the Dow must drop another 15 percent to 20 percent to restore a more traditional relationship between dividend yields on stocks and yields on long-term bonds.

With the Dow between 1,300 and 1,500, stock dividends would yield an average of 5.5 percent to 6 percent, she said. Stocks currently have an average yield of 3.7 percent.

"The whole crash occurred because stocks were severely overvalued," Ms. Garzarelli said. "People became euphoric."

Stock prices are being slashed as investors worry that the economy will not be strong enough to generate the corporate profits they

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U.S. Sets Embargo On Trade With Iran

Compiled by Our Staff From Dispatches

WASHINGTON — President Ronald Reagan, citing "aggressive disregard for the most fundamental norms of international conduct," imposed a broad trade embargo against Iran on Monday for attacks on U.S. and other interests in the Gulf.

Urged by Congress to increase pressure on Tehran for its actions in the Gulf, Mr. Reagan ordered a ban on imports of oil and other goods from Iran and an embargo on 14 categories of U.S. products with potential military application.

"Let me emphasize that we are

taking these economic measures only after repeated but unsuccessful efforts to reduce tensions with Iran," Mr. Reagan said in a statement, "and in response to the continued and increasingly bellicose behavior of the Iranian government."

The measures "do not reflect any quarrel with the Iranian people," he added.

Mr. Reagan said that the ban on imports of Iranian goods would take effect as soon as possible and that more controls on U.S. exports would start in a week to 10 days.

The White House announced that U.S. oil purchases from Iran in 1986 totaled \$600 million. Iranian oil sales to the United States from January through July of 1987 are estimated to exceed \$1 billion, it added.

(UPI-Wirephotos)

Klosk Not Bluffing On Summit, Reagan Asserts

WASHINGTON (AP) — President Ronald Reagan indicated Monday that he would not allow himself to be out-maneuvered in the jockeying with Mikhail S. Gorbachev over an arms control treaty and a summit meeting.

During a picture-taking session with congressional leaders, Mr. Reagan was asked whether he felt Mr. Gorbachev was "playing games" with him in view of the Soviet leader's last-minute refusal to set a summit date.

"If he is, he's playing solid," the president replied.

In an interview with European television correspondents, Mr. Reagan said he still believed that a treaty to ban medium-range nuclear weapons was going to be signed.

But at the same time, Mr. Reagan acknowledged that "we were hoping they would set a date" for a summit meeting.

"We have said to them that it's up to them to set a date if they would like to have it, and I have not counted it out as yet," Mr. Reagan said.



The Minnesota Twins celebrated Sunday night after winning the World Series, Page 19.

GENERAL NEWS

The Solidarity union in Poland urged citizens to boycott a planned referendum, Page 6.

BUSINESS/FINANCE

Personal income in the United States showed the biggest monthly improvement since February, Page 11.

Dow close: DOWN 156.83
The dollar in New York:
DM £ Yen FF
1.7785 1.685 142.35 5.95



In Hong Kong, residents peer anxiously through the entrance to the stock exchange.

International Prices Drop Sharply

Share prices dived again in Asia and Europe on Monday, dashing hopes that the start of the week would see the end of the world securities crisis.

Prices fell in the aftermath of the 33 percent drop in Hong Kong's Hang Seng index, on fears that the New York Stock Exchange and the dollar would plunge further.

Tokyo's key index, the Nikkei average of 225 selected shares, tumbled 1,096.22 yen, or 4.7 percent, to close at 22,202.56 yen. It was the third-largest single-day point decline, surpassed only by that of last Tuesday and Friday. Traders attributed the fall partly to selling by foreign shareholders.

An early 100-point decline in the Dow Jones industrial average in New York helped depress London prices by 150 points before they rallied at the finish.

The Financial Times-Stock Exchange 100-share index closed down 111.1 points, or 0.2 percent, at 1,684.1. The weakness of London shares also was

attributed to the renewed battering taken by the dollar.

In Paris, the main Bourse indicator slid 5.37 percent shortly after the opening, then slumped further in late trading as dealers grew discouraged by the events in New York. The index ended down 8.05 percent.

The Commerzbank index of 60 leading shares on the Frankfurt exchange, calculated at mid-session, fell 97.50 points, or 5.8 percent, to a two-year low of 1,569.2. Dealers in Frankfurt said losses were magnified by volume, which was relatively thin although many foreigners investors sold off West German stock. The dollar's fall further undermined confidence.

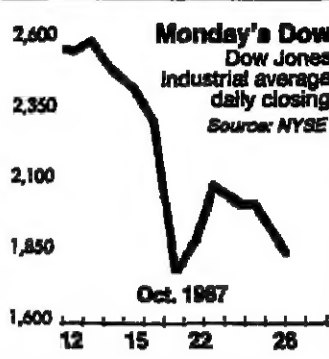
In Zurich, the all-share Swiss index fell 10.4 percent, its second-largest drop. Traders said volume was fairly high. The Zurich index plunged 11.3 percent on Oct. 19.

Articles, Page 10.

Markets Take Another Plunge

World Markets	Index	Point Change	Percentage Change
London	1,684.10	-111.10	-6.19
Paris	N.A.	N.A.	-8.05
Frankfurt	1,569.20	-97.50	-5.85
Tokyo	22,202.56	-1,096.22	-4.71
Hong Kong	2,241.69	-1,120.70	-33.33

*Based on an average.



Hong Kong Index Dives 33%

By Patrick L. Smith
International Herald Tribune

HONG KONG — Share prices on the Stock Exchange of Hong Kong plunged Monday, pushing the local Hang Seng index down a record 33 percent, lower than even the most pessimistic analysts had predicted.

The Hang Seng ended at 2,241.69, a loss of 1,120.70 points from its previous close early last week. Volume came to 4.2 billion Hong Kong dollars (\$540 million), more than twice the daily average this year.

The panic was expected to continue Tuesday.

On the Hong Kong Futures Exchange, which banks and the government rescued from imminent collapse over the weekend with a \$256 million support package, prices for the October contract based on the Hang Seng index plunged 44 percent. The futures market is the world's second most important after the United States.

The rout in Hong Kong was a significant factor in the London market's poor opening later in the day, analysts said. New York's activity on Monday, which follows the Hong Kong's market's close, was viewed as crucial to Hong Kong's performance on Tuesday.

It was the first day of trading in Hong Kong since exchanges were closed Oct. 20, the day after the Hang Seng plunged 11 percent in reaction to price collapses on Wall Street and other international markets.

The Hang Seng has fallen about 41 percent since the drop on Oct. 19. Before then, analysts estimated that the Hong Kong market was capitalized at roughly \$80 billion.

Most analysts had expected a drop of 20 percent to 25 percent for the day, based on prices in off-market trading last week.

"The last half-hour was madness, the worst bloodbath I've ever seen," said Jim Walker, managing director in Hong Kong of Winfull Loring & Crickshank, a London-based brokerage. "The worry now is we still haven't found a support level."

Volume was concentrated in the blue-chip stocks that make up the Hang Seng index. Many second- and third-line stocks, which were expected to fall more precipitously, remained relatively steady, but only because no buyers could be found for most of them.

Analysts attributed much of the plunge, which gained momentum

in the afternoon session, to the unwinding of margin positions by local investors, who dominated trading throughout the day. Many offshore institutions and mutual funds were relatively inactive.

"Some of these prices have reached ridiculous levels," said David Harding, managing director of Thornton Management (Asia) Ltd. "But I see this continuing until you take out all the margin calls."

Mutual funds invested in Hong Kong, which were not open to dealing during the market's suspension, had expected a substantial number of redemptions, which would have

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Broker Is Slain in Miami

MIAMI — An investor who suffered heavily in the fall of the stock market opened fire in a Merrill Lynch brokerage office Monday, killing one vice president, critically wounding another and then killing himself.

A longtime customer identified as Arthur Kane, 53, of Kendall, Florida, entered the brokerage office, said a police spokesman, apparently "upset about something."

"He then shot two Merrill Lynch employees," he said. "Killing one of them, and seriously wounding the other." Mr. Kane then killed himself with his pistol, the police official said.

"We believe it was in fact related to losses in the market," said another police spokesman. "It's related to the market and losses suffered in the recent downturn."

The victims were identified

as Jose Argilagos, 51, who was killed, and Lloyd Kolokoff, 38, who was critically wounded. Both were vice presidents of Merrill Lynch and Mr. Argilagos was the manager of The Falls office in a suburban Miami shopping center.

In New York, the chairman of Merrill Lynch, William A. Schreyer, and the president, Daniel Tully, said they were "deeply shocked and saddened to learn of this incident, and we extend our heartfelt sympathies to all the families affected by this event."

Alan Pierce, a friend of Mr. Kolokoff, said: "I told him to be careful. You have people's emotions running very high now. He seemed very busy, trying to get his customers squared away."

Kathy Graham, a Merrill Lynch employee who did not see the shooting, said Mr. Kane was "a long-time customer" and "a wonderful man."

Reagan and Legislators Agree To Truce During Deficit Talks

By Lou Cannon and Tom Kenworthy
Washington Post Service

WASHINGTON — President Ronald Reagan and congressional leaders met Monday at the White House under the deepening shadow of economic crisis and agreed to set aside partisan criticism in the interest of working out a compromise package to reduce the federal budget deficit.

The White House spokesman, Martin Fitzwater, said the Senate majority leader, Robert C. Byrd of West Virginia, had set the tone for the meeting by saying, "Let's stop looking backward; let's look forward."

Mr. Fitzwater characterized the session as "very positive, constructive and cordial" and said a 15-member negotiating team would begin work Tuesday afternoon on a package designed to reduce the deficit by at least \$23 billion.

He said the discussions would be held under a "news blackout" in an

attempt to reduce the impact of the talks on Wall Street, where stocks plunged again on Monday.

"If we can do better" than a \$23 billion reduction, Mr. Byrd said after the meeting, "we want to do better."

Legislators said that specifics were not discussed at the meeting but that both the president and the legislators restated their determination to find common ground.

"I don't see us failing," said Representative Jim Wright, Democrat of Texas, the speaker of the House.

Mr. Fitzwater repeated the pledge made by Mr. Reagan at a news conference last Thursday that "everything is on the table," except Social Security.

White House officials tried to play down Mr. Reagan's frequently expressed opposition to any tax increase, and some of them acknowledged privately that tax increases were likely to be part of any compromise package.

Among the proposals that will be

discussed by the 15-member team are a spending freeze and a possible delay of tax cuts scheduled for next year.

Mr. Wright said there was a general agreement that the talks should produce a framework for achieving a minimum deficit reduction of \$23 billion this year and "to do more if possible."

He said the emphasis will be on a multiyear approach that would yield "long-term reductions" rather than one-year gains.

"We're not going to be satisfied with putting cold patches on the inner tube," Mr. Wright said.

Democratic leaders said financial markets would be reassured only by a package that would continue to make significant reductions in the deficit beyond this year.

Under the schedule required by a revision to the Gramm-Rudman-Hollings balanced-budget law this year, Congress and the White House could have escaped with

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President Ronald Reagan at the start of a meeting in Washington on Monday with members of the bipartisan committee on the U.S. federal budget deficit. With him were the speaker of the House, Jim Wright, left, and Senators Robert C. Byrd and Bob Dole, right.

Obstacles To Reform Conceded By Chinese

By Daniel Southerland
Washington Post Service

BEIJING — Two senior Chinese officials made it clear Monday that China faced numerous obstacles in reforming the country's Soviet-style industries and was uncertain of how to proceed in some areas.

At a rare news conference, the officials were unable to provide a timetable for carrying out changes dealing with prices, bankruptcy and the management of state-owned industries.

At the same time, they said that China would continue to experiment with changes that some more traditional Marxists would consider to be capitalistic, such as the creation of land and labor markets and the distribution of shares in state-owned factories.

The two men were Du Runsheng, director of a high-level Communist Party rural research center, and Gao Shanguan, vice minister of the state commission for restructuring the economy.

The news conference was organized as part of a Communist Party congress that opened Sunday. The congress is supposed to endorse top party leadership changes. Western journalists are being given access to some of the proceedings for the first time in decades.

Answering a question about one of the changes, Mr. Du said that the utilization rights for state land could be sold under a proposal now under consideration.

A Western economist in Beijing said that the Chinese were edging toward creation of a real estate market, something that might have shocked both Mao and Marx.

But Mr. Du said that China would keep its land under state ownership regardless of whether land utilization rights were transferred.

Meanwhile, price reform, considered the key to many other changes, has been largely stalled since early this year out of a fear of inflation.

Prices rose 7 percent in the first three quarters of the year, and bank officials say that a more accurate rate would be more than 10 percent.

"We will persist in our efforts to implement price reform," Mr. Du said, "but will proceed in a steady manner so as to maintain the basic stability of prices."

A Western economist said the Chinese were likely to delay making any moves on price reform until next year to a year from now.

Prices are a highly sensitive issue in China, because they affect so many people and because the Communists have prided themselves on controlling inflation.

A Chinese official said recently that the government feared major unrest — possibly rioting — a few months ago because of rising food prices.

At the news conference the two officials said a major problem was that the demand for goods had continually exceeded the supply in a society that has become increasingly oriented toward consumption.

Earlier this year the party shifted the main emphasis of the changes away from price reform to an attempt to make industries more efficient and productive.

The latest experiment, which now extends to a large number of the factories, has managers competing for contracts under which they attempt to run them at a profit.

Officials assert that the system is working well in numerous cases, but economists say that this "management contract system" is at best an interim measure.

Since the contracts are based on fixed prices, they tend to work against any attempt to introduce price reforms that would deregulate prices.

The system also lends itself to corruption, because managers who have personal connections with party and government officials can negotiate a better contract than those managers who do not have such connections.

Mr. Gao said that the "overwhelming majority" of Communist Party members supported the economic changes that have been introduced by the senior leader, Deng Xiaoping, Prime Minister Zhao Ziyang and other reformist officials.

But he acknowledged that some people with vested interests would be hurt by the changes and therefore would resist them.



President Li Xiannian of China letting a yawn escape during the reading of a report at the Communist Party

congress. At right is Hu Yaobang, who was removed in January as leader of the party but retains an important role.

Talks Expected Between Cambodian Rivals

By Michael Richardson
International Herald Tribune

SINGAPORE — Rival Cambodian leaders are expected to meet in France next month for exploratory talks on the war in Cambodia, and some officials in the region are worried about the impact of the talks on the coalition of resistance groups fighting the Vietnamese-controlled government.

Diplomats said that informal talks between Prince Norodom Sihanouk, a leader of the resistance coalition, which occupies Cambodia's seat in the United Nations, and Hun Sen, prime minister of the government in Phnom Penh, would be held in or near Paris in the first half of November.

The diplomats said there was concern among government officials in China, the United States, Thailand and Singapore that Prince Sihanouk might be tempted to make concessions that were unacceptable to other guerrillas in the ranks of opponents of Vietnam's occupation of Cambodia.

The reservations about the talks are shared by leaders of the two other Cambodian groups in Prince Sihanouk's coalition, the diplomats said. Those groups are the Khmer Rouge, led by Khieu Samphan, and the Khmer People's National Liberation Front, led by Son Sant.

But Indonesian officials and aides of Prince Sihanouk said that the Paris talks would be purely exploratory, to determine whether there was a basis for further informal meetings involving leaders of all Cambodian groups and, at a later stage, Vietnam.

Preparations for the meeting follow a flurry of diplomatic activity since June involving nearly all the parties with a major interest in the Cambodian conflict, including Vietnam, the Soviet Union, China and ASEAN, the Association of South East Asian Nations.

Diplomats said the United States had been kept informed of developments by ASEAN. Its members are Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Mochtar Kusumaatmadja, the Indonesian foreign minister, said in Jakarta on Friday that he would fly to Paris at around the time of the talks.

He said he would consult Jean-Bernard Raimond, the French foreign minister, about coordinating diplomacy in stepped-up efforts to settle the Cambodian conflict.

Indonesia acts as ASEAN's link with Vietnam on the Cambodian issue. Mr. Mochtar said earlier this month that senior Indonesian and Vietnamese officials planned to meet in November in Jakarta or Hanoi to try to work out details of a settlement.

Diplomats said there also was concern that Indonesia, which believes that continuation of the

Cambodian conflict is entrenching Chinese and Soviet involvement in Indochina, would support Prince Sihanouk's initiative to end the fighting.

Vietnamese troops entered Cambodia in 1978, forcing the Khmer Rouge government out of Phnom Penh. Hanoi said it was taking the action to halt Cambodian attacks against southern Vietnam and the deaths of hundreds of thousands of Cambodians under harsh Khmer Rouge rule.

Nonetheless, Khmer Rouge guerrillas, armed and equipped mainly by China, remain the strongest component of the resistance.

Prince Sihanouk, a central figure in Cambodian politics for 40 years, announced in May that he was taking a leave of absence as president of the coalition for one year. Despite the leave, Prince Sihanouk remains the title — if not all the duties — of president of the coalition.

He had earlier denounced the Khmer Rouge for alleged human rights abuses and attacks on his soldiers in Cambodia.

Since then the Phnom Penh government, with support from Hanoi and Moscow, has made a number of proposals to promote national reconciliation in Cambodia and woo Prince Sihanouk away from the resistance coalition.

On Oct. 8 the Phnom Penh government announced that it was ready to meet the prince and other

opposition factions, including all but a small group of the most notorious Khmer Rouge leaders, to discuss a political solution for Cambodia.

In an interview with a correspondent of Agence France-Presse in Phnom Penh last week, Mr. Hun Sen said he would go to Paris to meet Prince Sihanouk.

He said he was ready to offer the prince "an important role in the future government" of Cambodia, adding that negotiations would determine whether the position would be that of president, vice president or prime minister.

Prince Sihanouk has said that a four-party interim administration, representing the three groups in his coalition and the Phnom Penh administration, should be formed in the early stages of any comprehensive peace plan for Cambodia.

In its Oct. 8 statement, Phnom Penh said a coalition government would be formed and Vietnamese troops would be withdrawn only after foreign support for the resistance had ended.

Singapore, Thailand, China and the United States maintain that if ASEAN and other opponents of Vietnam's military presence in Cambodia stand firm, the corrosive effects of guerrilla war in Cambodia, economic decay at home and international isolation will compel Vietnam to make substantial concessions to settle the Cambodian conflict.

Burkina Faso Is Giving Coup a Cool Reception

By James Brooke
New York Times Service

OUAGADOUGOU, Burkina Faso — For a decade, the two young military officers were inseparable friends. They trained together, they plotted together.

Once in power, however, Captain Thomas Sankara and Captain Yoweri Museveni of Uganda attacked a memorial service in Ghana.

In Burkina Faso, where many people say they were tired of Captain Sankara's four years of revolution, the populace seems to be in a state of shock. The assassination of the president was the first in the country since Burkina Faso, formerly Upper Volta, won independence from France in 1960.

At a wood-choked potter's field on the outskirts of the capital, a spontaneous pilgrimage to the makeshift graves of Captain Sankara and his 12 aides has been taking place.

Although the state-controlled news organizations did not announce the death for four days, thousands of people started gathering at the grave the morning after Captain Sankara was killed.

On Saturday, rosary beads, crosses and sun-dried flower garlands adorned the earthen mound. "Thomas Sankara, the Burkinabe people will never forget," read a hand-printed note left at the grave.

"Sankara cowardly murdered by traitors," another note said. Two young men contemplating the gravesite said they were particularly offended by the treatment of the president's body.

Under the cover of a curfew in the predawn hours of Oct. 16, the bodies of Captain Sankara and his 12 aides were thrown into a common grave and covered with a light layer of dirt.

The burial was so hasty that mourning Burkinabe were able to dip their handkerchiefs in blood forming on the grave.

On Oct. 17, the remains were reburied in separate graves. Later, when soldiers tried to bar the public from the cemetery, hundreds of students responded by shouting "Assassins!" and "Bastards!" And the new government banned all requiem Masses for Captain Sankara.

In contrast to the thousands of Burkinabe who thronged to the cemetery, a shortage of marchers

caused the government to cancel rallies for support last weekend.

The new government's bids for civilian support have largely failed. Primary and secondary schools were closed recently after high school students threw stones at teachers, which calls itself the Popular Front.

The new government has won some support by attacking the former president's often eccentric policies.

At various times, Captain Sankara announced that all houses in Ouagadougou would be painted white, that rents had been abolished, that fruit imports from the Ivory Coast were prohibited and that all civil servants should wear tunics made of homespun cotton cloth.

In a typical comment, made three days before his death, Captain Sankara suggested that the superpowers give their nuclear weapons to the African National Congress to aid in the fight against apartheid in South Africa.

The new government has emphasized a moderate line.

"There will be a new style in our foreign relations," Captain Sankara said Friday. "If you look, you will see that we have problems with all our neighbors."

On the radio the night of the coup, the new president denounced his erstwhile comrade in arms as "the renegade Sankara." Radio commentators later branded the former president a "traitor," a "megalomaniac" and a "Pol Pot."

Later, Captain Sankara said that he might erect a memorial to the slain president, who became prime minister after a coup in 1982, then was jailed briefly during a power struggle in early 1983 before



Visitors at the grave of President Thomas Sankara.

seizing power in a coup in August 1983.

One man in a green shirt standing over Captain Sankara's grave said bitterly, "They insult the dead, and they menace the living with guns."

Sixty miles (95 kilometers) west of Ouagadougou, in Koudougou, a local garrison commander said Friday that he refused to support the "assassins of Sankara."

The commander, Captain Kabore Boukary, has a direct command over 400 men.

Manila Press Chides U.S. On Actions Of Attachés

By Keith B. Richburg
Washington Post Service

MANILA — New accusations that U.S. government personnel were involved peripherally in the Aug. 28 coup attempt here showed signs Monday of becoming a diplomatic issue.

The issue posed a problem for President Corason C. Aquino and highlighted the sensitivity here to any hint of meddling by the United States, once the ruling colonial power in the Philippines.

The accusations began with a report from the leftist newspaper *Malaya* last week that at the height of the coup attempt, Lieutenant Colonel Victor Raphael, an assistant military attaché at the U.S. embassy, was inside Camp Aguinaldo, the armed forces headquarters, which was then controlled by rebel troops.

Nicholas Platt, the U.S. ambassador, confirmed Thursday that Colonel Raphael was inside the camp, but pointed out that the attaché's job was to keep track of the developments.

"He was doing his job," Mr. Platt said, adding that Colonel Raphael was a "trusted member" of the embassy staff.

The *Malaya* report also said that Colonel Raphael had tried at another point to dissuade the commander of a pro-government assault force from attacking the rebel position.

Colonel Raphael is known to be a friend of Colonel Gregorio Honasan, leader of the aborted coup, and a regular golfing partner of many of the reformist middle-level officers who led the failed revolt.

On Monday, Manila newspapers reported — and the U.S. Embassy confirmed — that another U.S. military attaché, Major Dennis Fowler, who was inside Villamor Air Base at the time of the August coup attempt, had come under fire from both government and rebel troops.

He was in a bulletproof car, supplied by the embassy, was struck by bullets. The Villamor base also was held by rebel troops during the coup attempt.

General Fidel V. Ramos, armed forces chief of staff, said Saturday that he had investigated Colonel Raphael's actions during the coup attempt and sent a report to the Department of Defense. "We leave it to the civilian authorities to act on the matter," General Ramos said at a news conference.

Some military sources said that they suspect the allegations against the American attachés were being generated by the Ramos faction within the armed forces general headquarters. This group is said to be suspicious of the attachés' close ties to the Honasan group, and also angered by the widespread perception in the Philippines that the U.S. defense establishment is privately critical of General Ramos's leadership and of the Philippine military's ability to defeat the communist insurgency.

"It's all a concoction coming from Ramos's people," said one officer with close links to Colonel Honasan. "You could say any attaché who talks to any soldier is guilty of interference."

The issue showed signs of escalating Monday. The House speaker *pro tempore*, Representative Antonio Cuenco, said at a breakfast meeting that his committee has been instructed to go deep into this thing, and ferret out the truth regarding American intervention."

Senator Teodoro Guingona, speaking at the same meeting, said that the Senate is likely to launch its own investigation into U.S. involvement during the coup attempt.

Several analysts said the government was in a dilemma — not wanting to escalate the matter and cause a serious diplomatic rift with its key ally and benefactor, but at the same time not wanting to seem reluctant to act on an issue that has aroused intense nationalistic and anti-American sentiment.

Mrs. Aquino's political opponents have seized on the issue of colonial U.S. involvement. The Senate minority leader, Juan Ponce Enrile, suggested that any investigation of U.S. interference be expanded to cover the entire tenure of Mrs. Aquino's presidency.

GULF: U.S. Imposes Iran Embargo

(Continued from Page 1)

last summer's consensus among members of the UN Security Council to undertake a major diplomatic drive to end the war.

Many of these analysts see Moscow's broadcasting of almost daily criticism of the U.S. military deployment to the region as a sign that the Soviets have pulled back to let the Reagan administration's military policy run its course.

On Saturday, Mr. Gorbachev said the cooperation between the United States and the Soviet Union to bring peace through the United Nations "is now called into question," because the United States is acting "as it did of old."

The Soviets have defined their Gulf policy as everything the U.S. policy is not.

The Soviets have maintained a low-profile military presence with a single fighter and a half-dozen mine sweepers and supply ships, while the U.S. fleet is approaching 40 ships and now includes submarine

forts on barges anchored in the waterway.

The Soviets have called for restraint by Iran and Iraq in attacks on tankers, whereas the U.S. military has targeted Iranian aggression against neutral shipping and has tacitly defended Iraq's bombing of tankers carrying Iranian oil.

The Soviets have called for a withdrawal of foreign military fleets and a diplomatic solution, whereas Washington has emphasized the need for an arms embargo against Iran.

But some Western and Arab officials in the Gulf believe that an escalation of tensions, fueled by the recent missile attacks on Kuwait and clashes between the U.S. Navy and Iranian gunboats and mine-laying vessels, inevitably will force Moscow to commit itself to a course of action to end the war.

Such a course could require Soviet pressure on Tehran if Moscow hopes to keep the good relations it has established with a number of Arab states, these officials say.

WORLD BRIEFS

Indians Claim Control of Jaffna

COLOMBO, Sri Lanka (AP) — An Indian official asserted Monday that Indian troops have taken control of Jaffna, although he said, a few snipers remain. D.K. Maitra, spokesman for the Indian Foreign Ministry, said in New Delhi that the last remaining pocket of fighters from the Liberation Tigers of Tamil Eelam fell "in the past 24 hours" to the Indian offensive launched Oct. 10.

Mr. Maitra said that Indian troops were clearing the area of mines and booby traps. Indian casualties, he said, were mounting. He said that five Indian soldiers were killed and 28 wounded Sunday, most in mine blasts and that the rebels lost 20 men.

An estimated 56,000 Tamil civilian refugees, he said, were being given food and medical care in about 15 temples and schools, where they had taken shelter during the offensive.

Kim Dae Jung May Set Up Own Party

SEOUL (WP) — Aides to Kim Dae Jung said Monday that the South Korean opposition leader had decided to set up his own political party and run for president as its nominee, breaking away from the party headed by Kim Young Sam.

The move formalized the split between the two Kims and means that both men will be running for president, barring a last-minute compromise. The step came after nearly two months of failed talks between the two candidates expected to divide the opposition vote.

The two candidacies are expected to increase the electoral chances of Roh Tae Woo, the ruling party's nominee.

Titan Rocket Scores Successful Liftoff

VANDENBERG AIR FORCE BASE, California (UPI) — A Titan-34D rocket was launched Monday to ferry a secret satellite into orbit in what the air force described as a major success after back-to-back failures.

The launch marked the restoration of the air force's ability to place large spy satellites into orbit, which has not been possible since the Challenger shuttle explosion and two Titan-34D failures in 1985 and 1986.

"This has tremendous significance for the nation's space program," said Edward C. Aldridge Jr., the air force secretary. The success "allows us to resume launching critical national security payloads on a regular basis," he said.

Rebel Clash Reported in Uganda

KAMPALA, Uganda (Reuters) — A Ugandan newspaper reported that about 500 rebels belonging to the Holy Spirit Movement clashed with troops of the government's National Resistance Army near Jinja on Sunday.

The Kampala newspaper *New Vision* said that about 100 rebels were lost and another 60 were captured in the half-hour battle. Government troop losses were not known.

The Holy Spirit Movement is a Christian sect from northern Uganda, led by a 27-year-old self-proclaimed prophet named Alice Lakwiza. The army weaponry is superior to that of the rebels, many of whom are armed with stones that they believe explode like grenades when thrown.

Kasparov and Karpov Draw 6th Game

SEVILLE, Spain (Reuters) — Garry Kasparov, the world chess champion, and his challenger, Anatoli Karpov, agreed Monday to draw the sixth game of the championship on the 28th move.

Mr. Karpov leads in the match by 3.5 points to 2.5. Victory in the 24-game series goes to the first player to win six games or score 12.5 points. In the event of a 12-12 tie, the champion retains the title.

GAME 6 ENGLISH OPENING

White	Black	White	Black	White	Black
Kasparov	Karpov	Kasparov	Karpov	Kasparov	Karpov
1. e4	e5	11. Ne3	Nc7	21. Bb4	Rb8
2. Nc3	Nc6	12. Bc3	Bc7	22. Na4	Rc8
3. g3	g6	13. Nf3	Bb6	23. Bc3	Rc8
4. Bg2	g6	14. O-O	Bb6	24. Na4	Qc7
5. Bb1	Bc5	15. Qd4	Bb6	25. e3	Bc8
6. d3	Qd7	16. Nd2	Nf7	26. Qe5	Qc5
7. Bc3	Bc5	17. Bb3	Rab8	27. Bxa5	Nc6
8. b5	Nd8	18. Rb1	Rxb3	28. Bb4	Draw
9. Nd5	Qc6	19. Rb3	Rd8		
10. Be	Be	20. Qe6	Nd8		

For the Record

Vladimir Stetski, a Soviet dissident who waited 18 years for permission to emigrate, received a hero's welcome when he arrived in Israel on Monday.

Foreign Minister Shimon Peres of Israel told the Knesset on Monday that compensation for Jews who lost property when they fled Arab states should be part of any Middle East peace settlement.

TRAVEL UPDATE

Europeans Confirm New Rail Plan

BRUSSELS (AP) — Five European transport ministers Monday confirmed plans to extend Europe's high-speed rail network, using trains that run up to 125 mph (200 kph).

They decided to authorize each country's national railroad to work out the technical and financial details of its share in the project. Each railroad is to present proposals by March 1, 1988, and the ministers are scheduled to meet again by April 1, 1988, to review progress.

The project, which would extend high-speed service from Paris to London, Brussels, Amsterdam and Cologne, was estimated to cost \$10 billion. The high-speed system, known as Train à Grand Vitesse, or TGV, already operates from Paris, with service to the south of France and Switzerland.

London City Airport, a new facility built mainly for business travelers, opened Monday, six miles (9.5 kilometers) from the London financial district.

A strike by pilots, flight attendants and technicians paralyzed Alitalia flights from Rome's Leonardo da Vinci airport on Monday, stranding hundreds of travelers.

A fishermen's blockade in the English Channel forced the suspension Monday of ferry services between the English port of Dover and the French ports of Boulogne and Calais. The fishermen were protesting the extension of British territorial waters from three miles (five kilometers) to 12 miles effective Oct. 1.

BUDGET: Truce in Deficit Talks

(Continued from Page 1)

only a minimal cut in the deficit in 1988, an election year.

"The speaker is trying to adhere to something that is long-term, that says to the financial markets we are serious," said Representative Tony Coelho, Democrat of California.

Both Mr. Wright and the House majority leader, Thomas S. Foley of Washington, said Mr. Reagan had indicated considerable willingness across-the-board spending cuts like those required by Gramm-Rudman-Hollings and other plans being pushed by some Republicans in Congress.

Mr. Reagan told legislators at the meeting that he had proposed a 10-percent across-the-board budget cut while he was governor of California and that the "ceiling had fallen on him," Mr. Wright said.

"I gathered from that he doesn't like the idea of an arbitrary freeze," Mr. Wright said.

Although administration officials continued to emphasize the soundness of the U.S. economy in their public comments, they were less sanguine in private statements. "We are driven by a sense of urgency in these negotiations," one senior official said.

Congressional leaders who attended the meeting Monday said

the session had yielded a broad consensus on goals, but no specifics on how to achieve them.

Mr. Wright said achieving \$23 billion in deficit reduction, required by Gramm-Rudman-Hollings, would be a "very modest goal." "I'd like to set in motion a multiyear process of deficit reduction," he said, adding that he "hopes" Mr. Reagan would be willing to aim for more than \$23 billion.

Democratic leaders in the House were preparing to begin the substantive phase of the negotiations by seeking a package that contains half new revenues and half spending cuts, with the spending reductions apportioned equally between military and domestic programs. That is the same prescription they have used throughout the budget deliberations this year.

Senate Republicans, meanwhile, were expected to push a plan that would yield somewhat higher military spending than Democrats have sought, and that would save about \$2 billion more on the domestic spending side by cutting back on some entitlement programs like agricultural assistance and Medicare.

If some assets sales are added, one Republican aide said, the total could approach \$26 billion to \$27 billion.

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Labor Movement in U.S. Forging a New Agenda

Coping With a Modern Work Force,
Unions Bend to Spirit of the Times

By E.J. Dionne Jr.
New York Times Service
MIAMI BEACH, Florida — The American labor movement, whose leaders opened their annual convention here Monday, is embarking on new ventures in organizing and political action as it confronts a changing work force and a national economy that has abandoned many of the rules that prevailed when labor was a dominant force in American life.

At the heart of the challenge to the leaders of the AFL-CIO unions gathering here is a breakdown of the social contract that prevailed in the two decades after World War II, many academics and labor officials say. Throughout that period, rapid economic growth and a broad political consensus guaranteed steady advances in the standard of living of the broad American middle class.

Underwritten by a vibrant manufacturing sector that provided steady wage increases, the political consensus supported programs to expand access to home ownership and college education, leading to a suburban building boom and the expansion of the consumer economy.

Labor played a major role in fostering the consensus, and in the period immediately after World War II, it could count 35 percent of the work force in its ranks. With such strength, its influence extended well beyond its own membership and could force improved labor standards even in nonunion companies, said Stephen I. Schlossberg, a former United Auto Workers official and a former deputy secretary of labor.

Perhaps the high point of the era came when the American Federation of Labor and the Congress of Industrial Organizations merged in 1955 to form a new and seemingly invincible alliance. In 1957, according to the Gallup Poll, 76 percent of the American public approved of unions.

Now, labor's share of the work force stands at about half of its postwar peak, its approval rating has dropped to around 55 percent and the movement confronts an entirely new working population and an environment more hostile to its cause.

Millions of families who could once survive on the income of the male wage-earner now need two paychecks to support the standard of living to which the middle class has become accustomed. Many of the new female workers have part-time jobs, and part-time workers have always been difficult to organize. And the turnover among such workers is often great.

Allen Y. Zack, director of publications and media for the United Food and Commercial Workers Union, said, "A lot of these jobs turn over three or four times a year."

Labor's industrial bastions in steel, automobiles, mining and clothing are in economic decline, and these industries have been replaced by service industries that have often proved resistant to unionization.

Perhaps most damaging to labor has been the rise of a political climate in which individualism is honored and words like "solidarity" seem old-fashioned and somehow inimical to the entrepreneurial spirit of the time. The breaking of the players' strike in the National Football League through the use of "replacement players" is symbolic of the new rules by which labor has been forced to play.

Rights Leader Is Killed in San Salvador

United Press International
SAN SALVADOR — Two men shot and killed the president of the human rights commission on Monday as he was dropping his children off at school, the police said.

"It is clear who is responsible," the private group said in a statement after learning of the slaying of Herbert Anaya. "It is the work of death squads tied to the security forces, and we hold the government and their security forces directly responsible."

Mr. Anaya was the last surviving original member of the commission, which was founded in 1979 to monitor human rights in El Salvador. The other members were also killed.

The shooting came a day after human rights groups and church leaders asserted that an amnesty proposed by President José Napoleón Duarte would make it impossible to prosecute members of rightist death squads.

The police said the two gunmen, using automatic weapons with silencers, shot Mr. Anaya at point-blank range.

Witnesses told a radio station that he had escorted his children to school and was about to get back into his car when a pickup truck with the two men in the back killed him.

Mr. Anaya and the commission had recently been receiving an increasing number of death threats.

In the late 1970s and early 1980s the rightist death squads, often linked to the security forces, killed an estimated 40,000 people, including human rights, union and political workers.

Geri D. Palast, director of politics and legislation for the Service Employees International Union, said there is far less instinctive respect for a union picket line now than there would have been even 15 years ago.

"No one understands labor anymore," she said. "You're almost back to where you started from."

And with the rise of interest rates and college tuitions and the decline or abolition of programs ranging from the G.I. Bill to student loan programs, both private homes and college educations now take up a much larger share of family incomes — and in many cases are beyond reach. This part of the postwar equation has also decayed.

In fact, many labor leaders believe the movement has already hit bottom and is on its way back up. In Congress, labor is pushing a bold agenda that includes mandatory health insurance for all workers, leave for parents of newborn children, a higher minimum wage and a new list of workers' rights, including the right to be informed in advance if a plant is to be shut down.

The labor movement is attacked

'No one understands labor anymore. You're almost back to where you started from.'

— Geri D. Palast, Union official

less than it once was by critics who call it the cause of industrial decline in the United States. Labor leaders can point to years of "give-backs" in which unionized employees agreed to cut their own pay and benefits to help keep companies afloat. Some recent public opinion polls have shown a modest comeback in labor's standing.

And the "restructuring" of large companies, in which employees often found their wages and benefits cut or their jobs eliminated, have created a new climate of worker discontent that union leaders believe will create fertile ground for organizing efforts.

The weary the employer, said Marvin Hines of the food workers union, often leads workers back toward unions. "This period of leveraged buyouts and foreign ownership has made people nervous," Mr. Hines said.

The sense of new dangers and new possibilities has moved unions in many new directions, some of them heretofore by the old rules. There are also sharp differences in the courses taken by unions organizing newer industries and those seeking to preserve employment in the older ones.

Among the newer approaches is the Service Employees' "Work and Family" campaign, which includes the pursuit of better day care and parental-leave assistance for elderly parents. Parts of the campaign, notably its attack on pay inequities for jobs mainly held by women, are aimed clearly at the growing female work force.

And the Amalgamated Clothing and Textile Workers Union has taken the unusual step of joining with employers to invest in research into new technologies that might save their industry.

The union's legislative and political director, Elizabeth M. Smith, acknowledged that it was unusual for a union to invest in automation and robotics. "We have to do something to save ourselves," she said. "We know it will cost some jobs, but we're looking to save the bulk of the jobs."



PAYING HOMAGE — The Nicaraguan interior minister, Tomás Borge Martínez, kissed the hand of Bishop Hadley E. Wilson of the Moravian Protestant denomination during a government ceremony in Managua honoring the bishop for 25 years of service as a pastor.

Contra Aides Meet Secretly With Cardinal

By James LeMoyne
New York Times Service

MIAMI — Top military and political officials of the Nicaraguan rebels have met secretly in New York with Cardinal Miguel Obando y Bravo, the Roman Catholic primate of Nicaragua, according to rebel and U.S. officials.

The meeting, which took place Saturday, is significant because the Roman Catholic leader is regarded as one of the few people in Nicaragua who may be able to find a formula for a cease-fire in time to meet the early November deadline stipulated in a regional peace treaty.

The meeting in New York is believed to be the first occasion on which Cardinal Obando has met with the rebels' official cease-fire commission, which includes two rebel military commanders.

Rebel and American officials refused to give details of the meeting. But they said the rebels, commonly known as contras, had insisted again on negotiating a cease-fire directly with the Sandinistas, a demand the Sandinistas have rejected.

Cardinal Obando, who stopped in New York on a flight from Rome and arranged an impromptu meeting with the rebels, has often criticized the Sandinistas. He is a member of a national reconciliation commission in Nicaragua that could help arrange a cease-fire with contra forces.

Contra officials said they had tried to persuade Cardinal Obando to meet officially with the contra political directorate. He refused, however, reportedly saying it was "inappropriate" for him to meet with the rebel directorate when the Sandinistas have refused to do so.

Cardinal Obando has had many private meetings with rebel officials in recent months, according to American and rebel sources, and has been a de facto intermediary between the contras and the Sandinist government.

The Roman Catholic leader's meeting with rebel officials was held as the Sandinistas were experiencing growing international pressure to reverse their stand and agree to negotiate directly with contra leaders, whose campaign is backed by the United States, to end the war.

The fighting has been going on for six years, and more than 40,000 Nicaraguans have been killed.

The Reagan administration is attempting to force the Sandinistas to concede on the issue of talking directly with the contras, according to senior American officials.

After first seeing almost no value in the regional peace treaty signed in August by five Central American presidents, the administration now sees merit in forcing the Sandinistas

to comply with its provisions calling for a full amnesty for political prisoners and a negotiated cease-fire to end guerrilla wars in the region, the officials said.

The administration has made a calculated judgment that the Sandinistas cannot afford to release their jailed political opponents at a time of widespread popular discontent inside Nicaragua. They have also decided that they cannot afford to grant the rebels a degree of political legitimacy, one administration official said.

Contra officials said in interviews that their strategy is to press

the Sandinistas as hard as possible for political concessions, while stepping up military attacks.

The rebels recently carried out the most politically impressive and militarily damaging series of attacks in recent years. In addition, they appear to have increasingly mastered the use of missiles provided by the Americans. They are regularly shooting down Sandinist aircraft, including two more combat helicopters this month.

Contra officials say their forces will soon carry out other major attacks, a pledge they may not be

Chile and Panama Supplying Bombs To Nicaragua, U.S. Officials Assert

By John M. Goshko
Washington Post Service

WASHINGTON — In a covert arrangement with the rightist regimes of Panama and Chile, Nicaragua's Marxist Sandinistas have obtained cluster bombs to drop on U.S.-backed guerrillas, according to U.S. officials.

The officials said the United States has reliable intelligence that Nicaragua and Chile, which do not have diplomatic relations, have used Panama as a middleman in the transactions, which began three to four months ago.

The officials said Panama purchased an unspecified number of cluster bombs from Ferrimar, a Chilean armaments maker with close ties to the Chilean military government, then transferred them secretly to Nicaragua.

Cluster bombs spread shrapnel over a wide area. Many human rights and disarmament activists have denounced their use as inhumane. The United States stopped sending them to Israel following

allegations that Israel improperly used them during the 1982 invasion of Lebanon.

Spokesmen in Washington for the three countries said they had no information about such a sale.

Bosco Matamoros, a spokesman for the Nicaraguan rebels, or contras, said that the contra forces inside Nicaragua had recovered several cluster bomb canisters used against them by Nicaraguan government forces in bombing raids on Oct. 7, 8 and 10.

He added that Cyrillic markings indicated the bombs were Soviet-made, and he said the contras had no evidence that Nicaragua was using similar weapons made in Chile.

U.S. officials, while declining to offer specific information, insisted the cluster bomb sales took place. They also said the United States is certain that Chilean-made cluster bombs were used in recent air attacks by Nicaraguan forces against the contras.

The officials cited the alleged arms transfer as an example of what one called "a pariah's international," in which various authoritarian Latin American regimes cooperate with each other despite wide ideological gulfs.

President Daniel Ortega Saavedra of Nicaragua and Sandinist government leaders are acknowledged Marxist-Leninists with close ties to Cuba and the Soviet Union, while Chile's president, Augusto Pinochet, is a staunch anti-Communist.

The Panamanian military leader, General Manuel Antonio Noriega, has close ties to Mr. Ortega and to President Fidel Castro of Cuba.

Chile and Nicaragua, U.S. officials said, have set up secret meetings periodically in Panama and other countries.

After the United States cut off military sales and aid to Chile in 1976, the Pinochet government en-

couraged two privately owned Santiago concerns, Ferrimar and Cardoen Industries SA, to begin making weapons for the Chilean armed forces.

Both companies later branched into export sales, and Cardoen, in particular, has sold cluster bombs and other items to various countries. Its largest customer is Iraq, which is estimated to have bought about 95 percent of Cardoen's cluster bomb production last year.

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Herald Tribune

Published With The New York Times and The Washington Post

On Space, Meet Halfway

America was thrown into an understandable panic when the Soviet Union launched its Sputnik, the first space satellite, 30 years ago. But Washington is overreacting to the latest shocking space threat: a Soviet offer to launch payloads at unbeatable prices, and to sell photographs of Earth far sharper than those from Western civilian satellites.

These furious efforts to market Soviet space services are prompted by the hard-currency needs of Mikhail Gorbachev's economic restructuring plans. They come when America's commercial space industry still staggers from years of disastrous government policy. To provide work for its white elephant space shuttle, NASA offered heavily subsidized launch prices at taxpayer expense. When the shuttle exploded, there was no commercial rocket industry to take its place.

NASA was persuaded last year to quit launching commercial satellites, reserving future shuttle flights for military and scientific payloads. That welcome retreat, together with a spate of Pentagon orders for new rockets, was the first step toward reviving the commercial rocket industry. Manufacturers still face the threat of subsidized competition from Ariane, the French rocket, but the U.S. Commerce Department believes that France can be induced to compete on a more equal footing. The Russian threat is another matter. Gorbachev's launch prices on its Proton rocket are about half those offered on Ariane. The Reagan administration would deny the Russians any business by refusing export licenses for U.S.-made satellites, claiming that technical secrets could fall into Russian hands.

Two major satellite manufacturers, General Electric and the Hughes division of General Motors, have protested. They contend that they will lose business if their satellites cannot get into space at the cheapest going rate. The Russians, they say, have

promised adequate security guarantees, including permission for Western technicians to accompany the satellites until launch.

Reagan administration officials claim that the satellite makers are just angling for as good a deal as they got on the shuttle, and that the Russians can learn too much about American satellites just from hooking them up to launch vehicles. These contentions are excessive.

The American commercial rocket industry needs some help in getting off the ground, but it is over-zealous to shut the Russians off from all Western business. The ingredients for a deal are obvious: Gorbachev should raise its prices to a level that Western launch companies can match without subsidy, and Washington should rescind its ban on export licenses. To deny good Russian products all access to Western markets is shortsighted.

Space photos of Earth offered by the Soviet agency Soyuzkarta present a different embarrassment for U.S. space policy. American users, including the U.S. Geological Survey, are eager to purchase the photos because they resolve objects five meters apart, a degree of definition twice as good as given by the French SPOT satellite, and six times better than the American Landsat.

That Moscow has a unique and useful product to offer despite superior American technology is the administration's fault. It failed to foresee the market or adequately to nurture a civilian industry. U.S. military space photos have a far finer resolution than Soyuzkarta's; they are said to be good enough to read license plates. But Washington has failed to make enough of this capability available to U.S. civilian satellites.

Having created a void in space policy, Washington is trying every means to prevent Moscow from filling it. The better course would be to welcome Soviet competition when offered on a fair basis.

—THE NEW YORK TIMES

For Rejoining UNESCO

The coming exit of Amadou Mahtar M'bow as director-general of UNESCO is welcome in itself and for the signal it sends to entrenched bureaucrats in other international organizations. After 13 years, Mr. M'bow had come to regard his \$170,000-a-year post as impossibly tedious. But his candidacy for a third six-year term proved so divisive that his own government in Senegal urged him to withdraw. Tellingly, the move was seconded by Soviet envoys to UNESCO.

Under Mr. M'bow, the Paris payroll waxed, accounting for 70 percent of the budget, while output waned. Conferences, however, proliferated. And with them, so did gratuitous polemics about whether journalists should be licensed as part of a nebulous New World Information Order, rather than proposals to advance UNESCO's goals. That is why there was little dissent when the United States pulled out in 1984, with Britain following suit, thereby reducing by a third the organization's annual budget of \$374 million.

What got lost was UNESCO's solid, non-

controversial success in campaigns that every body supports. Countries as different as Egypt and Mexico applaud practical school programs on monuments, which preserve treasures like Indonesia's great Buddhist shrine of Borobudur and also the threatened cores of historic towns. And UNESCO's scientific exchanges seem likely to flourish under Federico Mayor Zaragoza, the Spanish biochemist and educator whose choice as director-general awaits formal ratification.

With Mr. M'bow gone and reform back on the agenda, there are sound reasons for the United States to rejoin. Moscow's move away from ideological posturing deserves U.S. reciprocity. Yet the obstacle to rejoining is likely to be a Democratic Congress that has slashed aid at obligatory dues to the United Nations. Somewhat Democratic presidential aspirants never mention this grievous lapse of a Democratic Congress in their lofty appeals for multilateral diplomacy.

—THE NEW YORK TIMES

Bork Without the Myths

The vote on Robert Bork is in danger of passing not into history but into folklore. The dueling ballads are already being written on both sides. The forces of good or evil defeat a badly needed reform to first principles or an unbalanced effort to reverse a quarter century of social progress. The hardest thing about the whole affair may be now to demythologize it.

As they did in the fight, so now in the enshrining of it, both sides go too far. The embittered losers say that a kept and frightened Senate caved in to a nasty campaign by left-of-center advocacy groups which felt that they stood to lose if Judge Bork were confirmed. A pure and refreshingly democratic view of the Constitution and role of the courts was defeated by squalid politics, and just wait until the shoe is on the other foot. That is the lesson they draw.

The winning side takes the opposing view, hailing the proceedings as the ultimate decision on the merits, a sober constitutional debate and quasi-referendum on the many lines of Supreme Court decision-making that Judge Bork so pungently criticized. The country has examined these decisions, found them good, and in the process legitimated the very holdings that this nomination was meant to undercut. Future presidents and courts reopen these issues at their peril.

Neither of these legends-in-the-making

does justice to the event. There was indeed an ugly strain to the campaign against Judge Bork: there were plenty of cheap distortions of his record. But that is not what kept him off the court. The man has written copiously, and combatively, on the law for 25 years; he testified before the Senate Judiciary Committee for six days.

The judgment of many at the end of those six days was that his view of the Constitution and the role of the courts was more than just restrained. He seemed to be almost a machine for the denial of relief. If original intent were as much help to the courts as its proponents say it should be, there would be no great disputes. Answers would be clear. But the very reason cases reach the Supreme Court is that the answers are not clear. The justices have latitude. Judge Bork was both nominated and rejected because of the way in which he was expected to use that latitude.

Much was lost in the outcome. Although it failed, this was in many ways a deft and clarifying nomination that took each side to the edge of its convictions. On a great range of issues—abortion, privacy, the application of the 14th Amendment, standing to sue—Judge Bork raises prickly questions that deserve to be pursued. The trick for the president now is to find a nominee who has Judge Bork's sharp eye without his blind spots.

—THE WASHINGTON POST

Other Comment

The Bills Are Coming In

The events of the last few months have been trying to tell America something about its mindless excesses. They have been saying you can't run a country on credit cards, that the politics of blame won't solve our problems at home or abroad and that when the party's over the bills come in.

The evidence was all around us before the crash: in the Iran-contra hearings, in the budget deficits and the trade deficits, in the adventures of the Hart and Biden campaigns. And you could go on even to some of the backsliders in the electric pulpits. So maybe

these reckonings are not all bad. Nothing wakes up Uncle Sam like a punch in the nose. The contra affair cleaned out the White House and restored some respect for the law. The Bork hearings were a lesson in the Constitution still unlearned. And maybe the panic on Wall Street will remind us that a \$2 trillion national debt and a \$150 billion to \$200 billion annual budget deficit are a dangerous national disgrace.

Having overestimated our artificial prosperity in recent years, the danger now is that we will overestimate the crisis. We are not facing an economic depression but a psychological recession.

—James Reston in The New York Times

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OPINION

Needed: Help for Children in War Zones

By Thomas Hammarberg

STOCKHOLM — Two important peace initiatives are being tested at this moment, one in Sri Lanka and the other in Central America. There seems to be some chance that the wars in both places will come to an end. That would be a tremendous relief, not least for thousands of children, many of whom have never experienced a day of real peace. But armed struggles continue in other parts of the world: in the Philippines, Cambodia, Afghanistan, Lebanon, Sudan, Ethiopia, Mozambique, Namibia, Angola, Western Sahara, Colombia, Peru and elsewhere.

These conflicts have one thing in common: The human costs are enormous. It is estimated that more than 90 percent of the casualties in these local wars are noncombatants.

Many of the victims are minors. Children who survive are often severely affected. Some lose parents, some see their homes, or even their villages, destroyed. Some have witnessed atrocities that a child's eye should never see. Many are filled with hatred by war propaganda, where the message is revenge rather than conciliation. Such wounds do not heal easily.

Civilian casualties are high not only because modern wars have no clear-cut front lines. All too often, civilians are deliberately targeted with the purpose of frightening them out of supporting the "other side."

Such acts of terror are forbidden by international law. The 1949 Geneva Conventions ban military attacks against civilian targets. That norm has been violated repeatedly not just by insurgents but by governments, sometimes in raids against other countries.

Soviet-Afghan bombing over the Pakistani border, Israeli bombing raids over Lebanon, South African raiding into Angola and the U.S. bombing of Libya are recent examples. All these actions have maimed and killed children. Those who decided on them knew that this was a likely result. Still they went ahead.

Much stronger mechanisms are needed to enforce humanitarian principles during armed conflicts. Governments should give more wholehearted support to the International Committee for the Red Cross in this regard.

UNICEF officials have talked of declaring "zones of peace" around areas with children. Recently the UNICEF director talked of "bridges of peace" and "corridors of peace" to reach children in need. Such visionary thinking should be welcomed. Caring for children should take precedence over military considerations.

On three different days in El Salvador, soldiers on both sides observed a cease-fire so that a nationwide immunization campaign could be completed. UNICEF once got permission to work on both sides of the battle lines in Uganda, and some voluntary agencies were able to do the same in Ethiopia during the latest famine. Those are small but promising steps.

Of course, complete, durable peace is the only real solution. But until that comes, existing humanitarian law must be protected and further "bridges of peace" must be built.

Some voluntary agencies recently asked the

two sides in the Ethiopian provinces of Entree and Tigre to allow spraying from the air against locusts. This was an attempt to prevent, in the war-ridden areas, a further worsening of a food situation that soon may threaten the survival of children there. (In the event, little spraying was done.) Twenty years ago, relief agencies tried — at first in vain — to reach starving children by land or air in the landlocked enclave of Biafra. Such humanitarian initiatives ought to get clearer support from the world community.

Today the responsibility for such diplomacy is left largely to the ICRC. That body is competent and experienced but must act discreetly and needs political backing. In recent years the ICRC has gone public with its frustration over some governments' lack of respect for humanitarian principles. The United Nations secretary-general ought to play a major role in giving moral weight to efforts so clearly in the spirit of UN principles.

It is time to organize a structure within the UN secretariat for humanitarian initiatives — in collaboration with UNICEF and the UN High Commissioner for Refugees as well as the International Red Cross and other voluntary agencies — to coordinate the most basic human needs. The idea of "bridges of peace" is too good not to be developed into a concrete program.

The writer, a former secretary-general of Amnesty International, is now secretary-general of Ridda Barmen, the Swedish branch of Save the Children. He contributed this comment to the International Herald Tribune.

China: The Party Can Talk but the Problems Remain

By Patrice de Beer

PARIS — As the 13th congress of the Chinese Communist Party moves slowly toward its conclusion, the message from Beijing, although far from intentional, is clear: The reforms launched almost a decade ago by Deng Xiaoping, China's paramount leader, have lost their momentum.

While pomp is a standard adjunct of such gatherings, this one already looks more like an embarrassing anti-climax. Of course, the meeting will be highlighted in the official media and presented to the outside world — China's source of hard currency and technology — as a success for the "open door" and the policies of reform.

It will be anything but. Never has the gap between political debate and the world in which the Chinese live been so wide, and it is widening further.

The congress cannot be expected to solve the country's problems or amend the new generation of leaders that Mr. Deng has been grooming. He himself was instrumental in upturning this process by removing Hu Yaobang as party secretary in January.

The Chinese "masses" have not been told much about the documents that are supposed to shape their lives for the next five years. It is not proper in China to air personal or ideological differences. In any case, the people

have always been excluded from the decision-making process.

China's one billion are not educated enough to vote in general elections before the end of the century. Mr. Deng said in his latest book, *On Reform*: "Two months ago, my driver in Qufu, the birthplace of Confucius, thought the congress had already been held — last January."

The people now simply depoliticized and more interested in making money ("To be rich is glorious," Mr. Deng has declared) than in the unending debate on the "initial stage of socialism" that is taking place.

At the same time, the economic reform program has stalled — partly due to difficulties caused by the relative decontrol of markets (inflation, rising prices, corruption) and partly to political bickering between reformists and conservatives. Since the conservative backlash after last December's student demonstrations and the ousting of Mr. Hu, politics once again is in command over economics.

But this jockeying for position at the top, as well as the debate on the substance, pace and problems of reforms that have given China a tremendous boost since 1978, are largely

ignored by the Chinese people. The party is no longer attractive to the nation's youth, or to the intellectuals, especially since its recent purges. One of the victims, the astrophysicist Fang Lizhi, has openly denounced the failure of Marxism.

The political balance has been upset, the neo-Maoists have regained part of their lost influence and the situation does not look "irreversible" any longer. Yes, Mr. Deng's new designated successor, Zhao Ziyang, has been working hard to strengthen his position. But he will have to abandon the prime ministerial, and as the main architect of the reforms he will thus have to give up day-to-day control of the reform process to Li Peng, the much more conservative, Soviet-educated deputy prime minister.

The basic policies of the Communist Party will remain in force, at least nominally. But what will matter more will be their implementation. The party's two main factions hold widely different views on the scope and nature of the reforms — on the size of the "cage" in which the Chinese economic bird evolves, to quote Chen Yun, a conservative economist. Some, like Mr. Zhao, maintain that

you can solve problems only while pushing reforms forward. Others favor a pause — if not more. The same goes for political reform, through which Mr. Deng sees a way to strengthen the party's leadership of the country.

The debate is far from over, and delegates to the congress probably will have to make do with half-baked compromises. The timing of the event could hardly have been worse. The riots in Tibet, for one thing, have demonstrated the limits of political liberalization. And what could be more devastating to the reformists' notion of using the successes of capitalism to hasten socialism than the current turmoil on Western stock markets?

Mr. Deng will maintain his overall influence. As one China-watcher put it, even if his only title were the chairmanship of the Chinese anglers' association, he would still be in charge. But at a price. Tellingly, the symbol of communist modernization is now Mikhail Gorbachev, the Soviet leader, even if his successes are small next to those of Mr. Deng.

The writer has just finished a three-year tour as Beijing correspondent for the Paris newspaper *Le Monde*. He contributed this comment to the International Herald Tribune.

India: Being a Major Regional Power Has Its Price

By S. Nihal Singh

NEW DELHI — There can be no denying that India is in a most difficult situation in Sri Lanka. But the crescendo of criticism that the Indo-Sri Lankan accord of July 29 has attracted in India designates a remarkable agreement and provides no answers to the horrendous tasks facing India in the island nation.

The agreement was the result of President J. Jayawardene's recognition of the limits of Sri Lanka going it alone without India's agreement, and of Prime Minister Rajiv Gandhi's decision to grasp this opportunity to bring about a settlement. India cannot claim to be a major regional power without paying the price.

It is an axiom of realpolitik, most eloquently expressed by Henry Kissinger, that a stronger country should not intervene in another country unless it can prevail. The situation in Sri Lanka demanded an Indian intervention, whatever the difficulties. The opposition right-wing Bharatiya Janata Party (BJP) has suggested that the agreement should have been between the Sri Lankan government and the Tamil militants. But the island's authorities

were in no position to carry out such an agreement, thanks partly to India's past assistance in arms, training and money to the guerrillas.

The Indo-Sri Lankan agreement broadly follows the December 1986 proposals made by Colombo, except for envisaging the union of Northern and Eastern provinces, subject to a referendum. The invitation to Indian troops to enforce the agreement was an inevitable result of the assumptions on which it was made, and of the real threat to President Jayawardene's life and the durability of his government.

As the agreement has unfolded during these past few months, Indian troops have been caught in a cross fire. What is being tested are not only the diplomatic and military skills but India's will to prevail.

The problems have turned out to be more complicated than could perhaps have been anticipated. One problem of immediate concern was to ensure the cooperation of the main guerrilla force, the Liberation Tigers of Tamil

Eelam, whose leader had made no secret of his reservations. A second was to protect the Jayawardene government. A third was the backlash of the Sinhalese against the Sri Lankan Tamils and India. A fourth was the potential of the Sinhalese militant organization, Janatha Vimukthi Peramuna (JVP), to create mischief.

In the event, the militants have proved more obstinate than anticipated, both because of the struggle between the rival militant organizations and the desire of the leader of the Tigers, Velupillai Prabhakaran, to keep his powder dry. The Indian peacekeeping force's soft approach in securing the surrender of arms did not yield results and won the public opprobrium of the Sri Lankan government.

A number of incidents happened and were made to happen to raise the emotional and political temperature in Sri Lanka, thus vastly complicating the task for India. The death through fasting of Amirthalingam Thirupavan, one of the Tamil leaders, and the suicide of a group of Tigers

captured by the Sri Lankan forces had inevitable emotional fallout.

Even as the Tamil militants braced themselves for a tougher Indian stance in securing the surrender of arms, they engineered a series of massacres of Sinhalese in the east to try to spike the second, banking on the backlash that inevitably followed. Earlier, the Tigers had obtained concessions in the district administration, provoking discontent among other Tamil groups and Muslims in the east.

In a cynical attempt at sabotaging the accord, the JVP — the Tamil militants' sworn enemies — offered their help by carrying out bomb attacks on Opposition Sri Lankan politicians and making the most of President Jayawardene's discomfiture by launching a new propaganda offensive.

The Tigers have functioned as a tightly knit guerrilla force and have now felt the need for promoting a political arm. With their back to the wall, they have played their trump card — Indian Tamils' emotions — even while seeking to reopen a dialogue with New Delhi, an overture understandably rejected in India.

Rajiv Gandhi has to fight on two fronts to save the accord: enforce the provisions of the agreement and cope with the emotional fallout in Tamil Nadu. He will need statesmanship to accomplish this task.

Indian opposition parties are seeking to make political capital out of Mr. Gandhi's problems. Former Foreign Minister Atal Bihari Vajpayee has called the agreement "whiskered."

What is required now is the national will to prevail. India must either pay the price for being a major regional power or go out of the reckoning.

The writer, a syndicated columnist and former newspaper editor in India, contributed this comment to the International Herald Tribune.

100, 75 AND 50 YEARS AGO

1887: Mozart Honored

PARIS — The centennial of Mozart's "Don Juan" was celebrated last night [Oct. 26] at the Opera, with touching respect. Between the first and second acts the curtain arose and disclosed a beautiful white marble statue of Mozart. The moonlike rays of electric lights falling obliquely brought into dazzling relief the fine cut character lines of the great composer's features. At each corner of the pedestal figurines reclined waving palm branches to and fro. Surrounding the statue, but at a respectful distance, stood the entire troop of the National Academy of Music — some 300 persons — all attired in the characters of "Don Juan." The representation of "Don Juan" was very satisfactorily rendered.

1912: Navy Ages Fast

NEW YORK — [The Herald says:] The Secretary of the Navy, John Meyer, shows that the path of naval glory leads straight to the junk-pile.

How Do We Wage War On Piracy?

By Richard Reeves

LONDON — Stephen King, a clothing designer with a shop of his own in Chelsea, had a burglary the other night, the fifth this year. Scotland Yard says there are five or six similar break-ins each week. It is not that people are cold and need \$2,000 dresses and jackets. The designs of Mr. King and others will end up being "knocked off" in Hong Kong or Taiwan.

"Knockoffs" are cheap imitations, a big business in the newly industrializing countries. Seventy-two hours after "We Are the World," the famine relief album, was released in America, you could buy a knockoff in Jakarta for a third the price. More than 30 million faked music cassettes were produced in Indonesia last year.

Counterfeits of everything from Michael Jackson tunes to micro-processors are becoming an emerging crisis for developed nations. The U.S. Commerce Department estimates that of the \$3.2 billion business worldwide each year in computer software, an estimated \$800 million goes into the pockets of "pirates."

Piracy in our time has nothing to do with ships and eye patches. It means stealing someone's products or processes, designs or ideas. It costs the United States \$20 billion a year in lost sales, the Commerce Department says.

"Intellectual property" is the phrase used to cover salable ideas, which include Mr. King's designs and the trademark alligator on the 10 million Lacoste shirt knockoffs made last year in Thailand (2 million more than the number of originals made in France). It includes trade secrets, patents, copyrights, videos, pharmaceutical formulas, and books written by me. A friend picked up one of those recently in Karachi, Pakistan, printed by God knows who, but whoever it is wasn't paying me royalties.

I am a very small victim, and perhaps a bit of a pirate myself — or at least an accessory — after the fact. I recently borrowed a friend's computer to do a hot word-processing program called "Nota Bene."

The screen showed: "Licensed to Joe Blow" — I forget the actual name. Joe Blow, it seems, was the guy who actually paid for the program — more than \$1,000 — and for the creativity of Equal Access Systems in New Jersey. Since the original purchase, people apparently have been copying the program for free or, perhaps, charging each other small amounts. In Asia, the price is sometimes as low as \$7.50 for counterfeits of programs meant to cost \$500.

Thus, anyone with a little technical skill can duplicate software or arthritis pills, without the expense of inventing them. The range of inventions and ideas particularly vulnerable is demonstrated by the U.S. companies that have tried to protect themselves by forming a coalition called the Intellectual Property Committee. They include Bristol-Myers, CBS, Hewlett-Packard, General Motors and IBM.

The piracy problem is the dark side of a changing world of global trade. Each nation still has separate standards governing fair use of ideas and methodology — patent and copyright laws, for example. What the IPC and the governments of developed nations have been seeking is international or bilateral agreements controlling counterfeits and punishing counterfeiters.

"Protectionism" is still a dirty word at the White House. But the Reagan administration has aggressively threatened trade retaliation against most-favored nations such as Singapore, Indonesia and South Korea that have ignored thriving local industries manufacturing "Ford" auto parts or "Snoopy" dolls.

The administration is right. "Swiss" watches made in Hong Kong, once a joke, now represent a serious international problem, threatening to choke innovative industries in prosperous countries — the "C-countries," as the Swedish economist Ake Anderson called them: developed societies selling "competence."

The biggest C-country, the United States, cannot make steel or ships anymore at competitive world prices. Such businesses moved to Japan first and now are locating in South Korea and beyond. That is the new world.

There is not much Americans can do about it except to survive by their wits. Becoming, in Mr. Anderson's phrase, "a knowledge factory" that sells ideas and innovations. America must find weapons to protect intellectual trade, to protect Stephen King, Michael Jackson and IBM, just as it long ago dispatched navies to make commerce safe from pirates.

Universal Service Syndicate

1937: No Plan for Spain

LONDON — The much discussed scheme calling for a preliminary withdrawal of foreign volunteers from the battlefields of Spain was abandoned today [Oct. 26] at a five-hour meeting of the chairman's subcommittee of the Non-Intervention Committee, with Foreign Secretary Anthony Eden presiding and referring to the endless dispute between the Fascist and Communist diplomats. The British scheme for withdrawing a certain number of foreigners from each side in Spain was dropped because the diplomats were could not agree on the number.

OPINION

How Smiling Mike Got Nasty
And Pulled a Double-Cross

By William Safire

WASHINGTON — "When sorrows come," said the king in "Hamlet," "they come not single spies, but in battalions!" Trust Mikhail Gorbachev to take full advantage of Ronald Reagan's tribulations — the defeat of his Supreme Court nominee, the shock of the stock market plunge, the illness of the First Lady — by breaking his repeated promises of a treaty-signing summit meeting.

Just as at Reykjavik, the Russian leader dangled all sorts of arms reduction goodies before Secretary of State George Shultz, causing the Western world to salivate. Then, in a classic double-cross, he came back with a "last-minute linkage." Smiling Mike became stony cold and tied everything to abandonment of testing of the American nuclear shield.

You might think Americans would learn from this treatment that Mr. Gorbachev's assurances are meaningless, his negotiating technique duplicitous, his commitment to equitable arms reduction spurious. You would assume Mr. Reagan would learn that the more he shows his eagerness for a summit meeting, the higher the price the Russians will make him pay.

But Mr. Shultz blandly says he will wait for the Soviet double-cross in writing. A New York Times editorialist promptly demands that Mr. Reagan start "compromising on his star wars dream."

Next, we can expect that the Democratic Senate, having just turned down a justice for being too legalistic, will embrace the legalisms of Senator Sam Nunn in supporting the Soviet interpretation of the anti-ballistic missile treaty. And America's bedazzled Kremlinology corps, eagerly awaiting the Soviet leader's propaganda tract, "Perestroika," will assure us that the last-minute linkage is not the fault of Smiling Mike but comes only from his enemies, who keep getting ousted or killed in helicopter crashes.

Now is the time for Ronald Reagan to forget his photo opportunity in history and to remember America's place in the

world. Under pressure from both the double-dealer in the Kremlin and dovish Nunnites in the Congress, he should react not angrily, like a summit star spurned, but coolly, like the leader of a superpower.

How much further proof do we need that the Russians regard his Strategic Defense Initiative as the answer to their intercontinental missile dominance? The Russians evidently know something about the future technology's ability to knock down missiles that our Union of Worried Physicists and Flippant Editorialists do not know. Mr. Gorbachev hopes to outwit or outwait Mr. Reagan on what is the central strategic issue of our time; he cannot be allowed to succeed.

First, the president should send a clear message that he will not be victimized a third time by last-minute linkage. He should appoint General Edward Rowley to a new post of arms reduction czar. The Soviet side knows him to be an experienced, hard-line negotiator who speaks Russian fluently; Mr. Shultz and Max Kampelman are patriots and will put the need for a switch in time ahead of any personal considerations.

Next, in the Rowley Round at Geneva, it should be made plain that the Start negotiations, on the reduction of long-range missiles capable of hitting the United States, take first priority. America should seize the Soviet desire for linkage: the negotiations on intermediate-range missiles that the Russians desire, on missiles capable of hitting the Soviet Union from Europe, will have to wait until the Kremlin gets serious about reducing the missiles that threaten the United States. You want a package? Fine; you will remain within medium-range missile range until you get serious about a package.

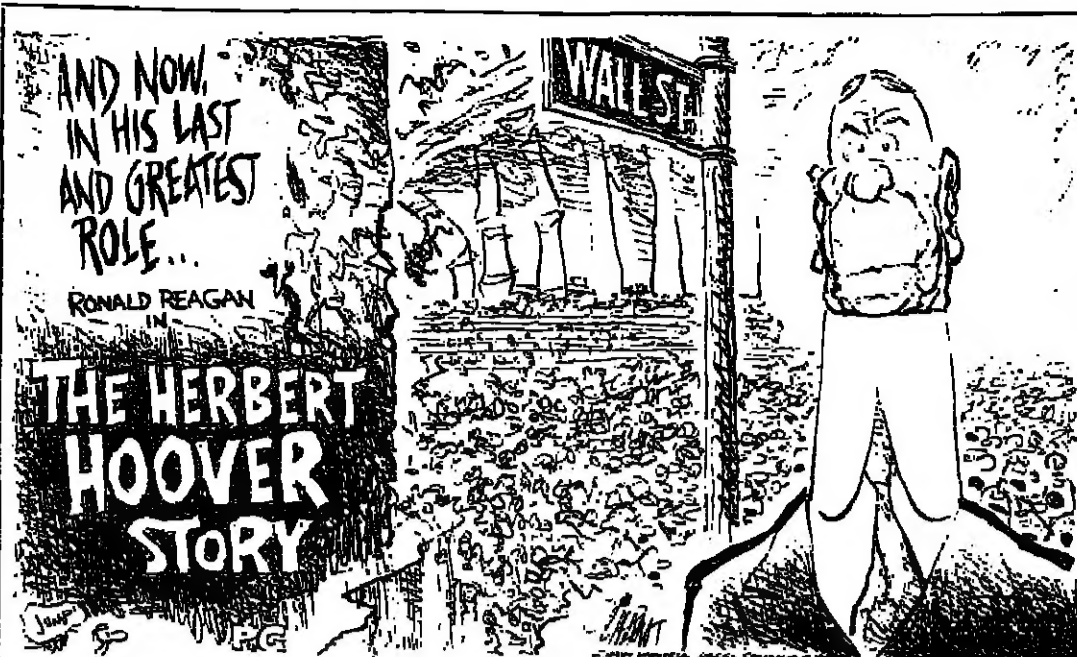
Third, Ronald Reagan should make clear that the red carpet is going to be rolled up and mothballed in March. He will pay nothing for the privilege of showing Mr. Gorbachev around. The next opportunity for a summit meeting will not roll around until late 1989, if that soon, under the next president: the Democratic candidates, as well as Mario Cuomo, should be ready to say that delay will get the Russians no easier terms.

To show that America means business, it should go all-out now on building a nuclear shield. The inexorability of deployment will provide the only incentive for Mr. Gorbachev, or his waiting replacement, to stop the duplicitous minuet and make a deal on arms reduction and space-defense cooperation.

Mr. Gorbachev is aware of the battalions of sorrows marching on the Reagan presidency, and senses he has the battered Mr. Reagan at his mercy. We will soon see if he has miscalculated his opponent's strength of character.

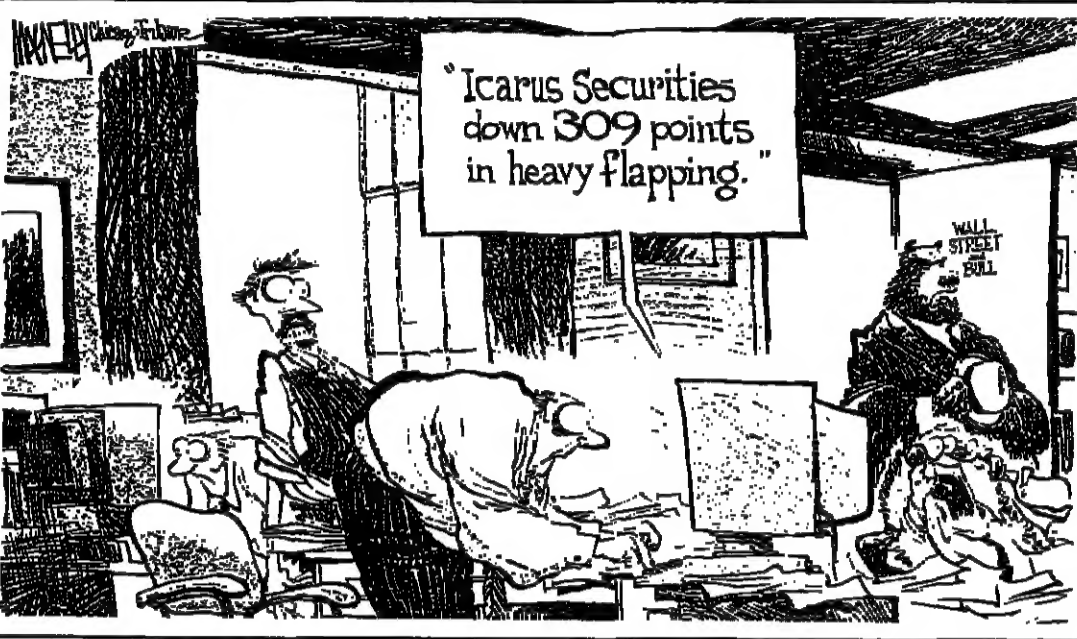
— The Independent (London).

The New York Times.



The biggest mistake made by most individual investors is in expecting that the market will be rational.

— Robert G. Kirby, a broker.

Spiritual Ingrates, We Forget
Our Debt to Plato and Parents

By William F. Buckley Jr.

NEW YORK — When I was 13 years old I was chaperoned here and there, along with two sisters of about the same age, about the greater environs of London. My music teacher, whom I loved and still do, was by my side when I went to the counter of a souvenir shop in Stratford-upon-Avon and paid out three or four shillings for Shakespearean sundries I had picked out. An elderly lady took my money, withdrew from the display case a tiny one-square-inch edition of "Romeo

and Juliet" and, smiling, gave it to me. A gift. I took the sycamore she had just before given me in change, and deposited it in her hand. A reciprocal gift.

Once outside, I received a kind but resonant rebuke from my music teacher. I had done an offensive thing, she instructed me. A gift is a gift, she told me. I must learn, she said, to accept gifts. They are profaned by any gesture of automatic reciprocity.

Many years later I read, in some biography or other of Abraham Lincoln, about an episode that had briefly stalled the receiving line at the White House with corporate embarrassment. A lady in the receiving line, after taking the president's hand in formal greeting, stuck forward with her left hand a huge bundle of long-stemmed roses, depositing them in Lincoln's hand. The president — and the receiving line — were immobilized. Abraham Lincoln smiled. And said, "Are these really for me?"

"Yes," the guest replied, beaming. "In that case," Lincoln said, "I can think of nothing that would give me more pleasure than to present them to you." The flowers were returned; there were smiles all the way around. The lady took back her roses, smiled in turn, and the line moved on.

That is a singular exception to my music teacher's injunction about the social sin of reciprocal gifts. Few people, in public life or private, have managed — indeed, could manage — such extemporaneous grace.

Many years went by. And then, a fortnight ago, I received on my trusty electronic MCI a message from a friend, a computer expert. He said that the retrieval system I had yearned for, which would permit me to locate individual book titles in my library via my computer, had been completed. He had worked on it (in the interstices of his busy schedule) for more than a month. "It is yours," his message read, "as a belated Christmas present."

I flashed back on MCI (this is the only hazardous aspect of that wonder-

ful system, the temptation to make an on-the-spot reply) that I insisted that he send me a bill for his professional services. One minute later, my mind traveling back to the little old lady at the souvenir store at Stratford, in later dejection I shed the grown-up equivalent of tears at my gaucherie.

The unrequited gift is, in Edmund Burke's phrase, one of the unbought graces of life. The effort there and then to repay scars the transaction. What is left is a fatally deglamorized event. The spontaneous, or, for that matter, the long-contemplated appreciative gesture, is X-rayed into its desiccated atomic parts.

The universal offense, remarked by Ortega y Gasset as the mark of the masses in revolt, is that of the Westerner — rich or poor — who accepts without any thought of any debt incurred the patrimonial we all enjoy, those of us who live in the free world.

The unending, benumbing thought that we owe nothing to Plato and Aristotle, nothing to the prophets who wrote the Bible, nothing to the generations who fought for freedoms reified on the Bill of Rights, we are basket cases of ingratitude. We cannot hope to repay Socrates, what he gave us, but to live lives without any sense of obligation to those who made those lives as tolerable as ours are — the lack of gratitude to our parents who suffered to raise us, our teachers who labored to teach us, the scientists who prolonged our lives when our appendix burst — is spiritually atrophying.

We cannot repay the gift of the Beatitudes. But the failure to recognize that we all owe a huge debt that can only be repaid by our puny efforts to attempt, in our parlor ways, to repay the gifts we inherit marks us as the masses in revolt: against our benefactors, our benefactors.

To fail to feel gratitude, when walking through the Metropolitan Museum in New York, or when listening to the music of Johann Sebastian Bach, isn't to profane the generosity of the lady behind the counter at Stratford-upon-Avon, but to decline to express, however clumsily, our gratitude for the fruits of genius, for the generosity that gave us the lives we lead.

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LETTERS TO THE EDITOR

A Diminished Foreign Service Hurts America and the World

As a second-generation member of the U.S. Foreign Service, I thank you for publishing recent articles and editorials on the unprecedented damage being done to U.S. diplomacy by the current budgetary and political attacks on the State Department. Unlike other departments, more of State's budget goes to maintain its personnel, scattered over an increasingly dangerous, expensive and technically complex world, than to administer programs or purchase equipment. This is why major budget cuts weaken the backbone of the Foreign Service — the professional officer corps — with more crippling effect than equal cuts elsewhere. The forced closing of 15 overseas posts and the elimination of almost 1,300 jobs, as just the first of a series of cuts, is foolish and shameful for a country with such vast resources and responsibilities.

The great majority of Foreign Service officers I have known over 25 years are able, hardworking and dedicated. The diligence with which State is now eviscerating itself is characteristic of the loyalty and energy with which, despite distorted charges to the contrary, it has effectively implemented the varying foreign policies of successive administrations.

As a taxpayer, I support frugality in America's sprawling government, but I am profoundly distressed by the devastation that reckless and petty cost-cutting is wreaking on a diplomatic service of vital importance not only to the United States but to stability around the globe. I can attest that the hamstringing of the State Department is forcing many experienced officers to consider other career options.

ROBERT K. BOGGS,
U.S. Embassy,
New Delhi.

Again we face the annual ritual of reducing the State Department's overseas budget. For one who spends a good deal of time abroad, it is hard to contrive a rationale for such shortsightedness. The amount of money to be thus saved is statistically insignificant in the U.S. budget, while the activities of overseas American libraries, cultural centers and intellectual exchanges are the envy of the nation's adversaries.

Why not just tie up the battleship Iowa and supporting fleet in Norfolk, Virginia, for a

few weeks, then use the savings to support America's cultural presence abroad? This would not jeopardize security one whit, but would help sustain an overseas presence that has brought both pleasure and great understanding of the American people and their purposes. Even hard-nosed conservatives ought to detect a bargain when they see one.

RICHARD C. WADE,
Helsinki.

Regarding the opinion column "The Legislators Seem to Think State Is a Menace" (Oct. 21):

I agree fully with Elliott Abrams that the State Department is being unfairly punished. The personnel cuts will hit hardest among low-ranking staff people, whose services are essential to the department's day-to-day functioning. A look at the last few promotion lists will show large numbers promoted to the very highest levels and very few promotions in the low and middle grades. The department is so top-heavy it is ready to tumble. Yet in the face of budget cuts, promotions continue.

Mr. Abrams does not mention other areas of funding that are growing by leaps and bounds: the hundreds of millions of dollars being spent to upgrade embassy security, much of it wasted; the tens of millions being spent on the old and new embassies in Moscow; a rise in the number of shadowy intelligence types in embassies; and the burgeoning use of computers.

DAVE STEINER,
Munich.

For an administration whose ill-advised and capricious notions of foreign policy could only be confused by the facts the State Department seeks to make available to it, cutting the department's budget makes sense. Americans who care about their government's ability to respond in considered diplomatic terms to world events will be even worse served than before. The consequent lack of information among legislators may lead to a lack of concern about world events, allowing protectionists and other isolationists a free hand to impose harmful policies.

EMILY MARTIN,
Bern.

Mr. Reagan's shortcomings, no one can deny her courage at all times.

EILEEN SCHLESINGER,
Zurich.

A Small Price for Gulf Peace

As the Gulf situation approaches a crisis, the press has not made clear why the United Nations resolution calling for a cease-fire cannot be amended to accept Iran's condition that there be an investigation of how the conflict started. This seems an eminently reasonable request. Keeping the record straight is a fair price for peace.

ALFRED E. DAVIDSON,
Paris.

A World Both Bigger and Smaller

Congratulations on your 100th year, and we all hope that by the end of your next 100 the world will be a more civilized place to live in. "Some things we do know," you wrote in your editorial, "With All Due Respect" (Oct. 5). "The world will keep getting smaller." What we know is that the world, at least for the individual, will keep getting larger.

When you first published in 1887, a man's horizon was not much beyond his home town. War in Afghanistan or starvation in Africa was

faraway and of little interest. The communications revolution now forces us to be concerned about happenings thousands of miles away. We sit in our homes and see it all, sometimes better than those on the spot.

But the Spanish philosopher José Ortega y Gasset said it much better than I can in his book, "The Revolt of the Masses," back in the 1920s. Read it when you have time.

CALVIN T. DURGIN JR.,
Madrid.

Let the Young Fight Prejudice

On Sept. 28 you carried a report about 16 Jewish students from Stanford University in California who spent two weeks in West Germany ("Painfully, Young U.S. Jews Get to Know Germans"). I was one of the young Germans they met. I spoke to some of them about their impressions. The experience was thrilling — to sit opposite a young Jew and talk about something neither had been involved in but both felt emotionally. There was a feeling on both sides that is difficult to describe.

Two weeks later I attended a party for them given by Chancellor Helmut Kohl. There was no prejudice or bitterness anymore; they were young people like us. I wanted to hug them. One of the students, named Daniel, told me: "My parents did not want me to come here. Now I am happy that I did it."

To all parents who still remember the Holocaust and do not want their children to visit Germany, pray let them come! This is the only way we can destroy prejudice on both sides and yet keep alive the memory of a period that none of us wants to be repeated.

ALEXANDER SCHONBURG-GLAUCHAU,
Munich.

Don't Sneer at the Changing East

With the tarrying summer there exists here in Berlin a feeling of hope as we await winter. In China and the Soviet Union, people are openly considering the possible errors of a dogma. My prayer is that we in the West will not use this time of questioning in the East for minor tactical political advantage. This is no time to rail over past wrongs or threaten the future.

As a soldier, I feel I defend one thing only — that any man, subject to his conscience, and laws made with a view toward the common good, has the right to be mistaken. I would like to think, as rich as we are in the West, we could allow ourselves to extend the protection of this right to those governments in the East now trying to change and grow. Let us give them the opportunity we have had all along and so proudly boast — to be free to admit they have been mistaken; and have the good manners not to ridicule what has been for them an honest effort to govern.

DENNY R. CUTSHALL,
Berlin.

At Sea Over a Photograph

The Page 1 photograph in your Oct. 6 edition is neither a warship nor is it shadowing anything. Can some photographer be having fun?

C.D. HOWARD-JOHNSTON,
Rear Admiral, Anglet, France.

Button, Button, Who's Got ...

Since the blazer has become almost a uniform for men, could any of your readers advise on the number of metal sleeve buttons to be worn? Normally one sees two or three, sometimes even one, but I understand Prince Charles wears four on his blazer sleeve.

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Aix-en-Provence, France.

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Soviets Confront Their History

For the Revolution's Anniversary, a Lifting of the Veil

By Philip Taubman
New York Times Service

MOSCOW — With the approach of the 70th anniversary of the revolution, Nov. 7, the Soviet Union is engaged in a fructuous exploration of long-veiled chapters in its history.

The historical inquiry has divided scholars, provoked an acrimonious public debate and produced signs of friction among political leaders, particularly Mikhail S. Gorbachev, the Soviet Communist Party general secretary, and Yegor K. Ligachev, the number two party leader.

Although the process has not yet led to the opening of most sealed archives and has cast only the first rays of light on some sensitive periods, it has brought the country to the brink of several major steps that seemed inconceivable a few years ago.

These include the official rehabilitation of revolutionary leaders who were later executed by Stalin as well as recognition of the achievements of Nikita S. Khrushchev, the dishonored former leader.

The re-examination, plowing ground first broken under Khrushchev 30 years ago but left mostly fallow during the era of Leonid I. Brezhnev, is expected to reach a pivotal point on Nov. 2 when Mr. Gorbachev gives a nationally televised address marking the anniversary of the revolution.

Communist Party officials familiar with Mr. Gorbachev's plans said he would deal candidly with the seven decades, giving the country a revised and more complete historical record even as he paid traditional homage to Lenin and the achievements of communism.

Vitali A. Korotich, an editor who has championed the cause of openness and used his magazine, Ogonyok, to delve into history, said: "Gorbachev's speech will give us back our past, both the good and the bad, so we may create our future."

A candid assessment of the historical record seems to many Soviet citizens a necessary corollary to Mr. Gorbachev's domestic programs and a prerequisite for further change.

His domestic policies, including a decentralization of economic management, an easing of press and artistic censorship and increased tolerance for dissent represent a partial dismantling of the Stalinist system.

Many Soviets will be disappointed if Mr. Gorbachev, who has called for greater openness in all aspects of life, does not rehabilitate repudiated leaders such as Nikolai I. Bukharin, Grigori Y. Zinoviev, and Lev B. Kamenev, acknowledge Leon Trotsky's role in the revolution, and recognize Khrushchev's contributions.

These and other historical fig-

ures, long excised from the official record, have reappeared in newspapers and scholarly discussions in the last two years, but the party has not publicly adopted a new position on their status.

Attention is riveted on these issues in a way not fully appreciated in the West. The visit of Secretary of State George P. Shultz and Mr. Gorbachev's unexpected refusal to commit himself to a visit to Washington this year were almost lost in the preparations for the anniversary commemorations.

Mr. Gorbachev himself has been preoccupied in recent weeks with the planning, and he reportedly spent the day before Mr. Shultz's arrival discussing his scheduled Nov. 2 report with the Central Committee.

The Soviet news agency Tass reported that the committee had endorsed "the main provisions and conclusions" of the report, suggesting that there may not have been support for everything he proposed. Soviet officials said there had been a lively debate.

In recent months a number of senior party officials, sounding less enthusiastic about the reopening of history than Mr. Gorbachev, have called for restraint.

Mr. Ligachev has several times appealed to scholars and editors not to discredit the achievements of the communist system.

At the moment the boundaries of historical research are shifting.



A Lenin banner was part of early celebrations of the Bolshevik Revolution's 70th birthday.

The range and penetration still fall far short of Western standards of openness, and sensitive archives, including those from the revolution and the Stalin period, remain sealed despite promises to unlock them.

Lenin is still treated as a demigod, with no sign that that will change. Western historical works about the Soviet Union are unavailable to most historians.

In addition, candid discussion about past problems has not always translated into a willingness to change the practices to which they gave birth.

Reports about the hardships of collectivization, for instance, have not been followed by any serious consideration of dismantling the system of huge government farms that many Western experts believe has crippled Soviet agriculture.

Because of these limitations, the revival of historical interest and research—which has filled the newspapers and magazines with articles and letters—has been marked by uncertainty about what "white spots" can be filled in and has generated a noisy debate about the propriety of exploring the past.

The government, for example, recently initiated a series of meetings involving historians and Soviet and foreign reporters, apparently hoping to give the press a firsthand taste of scholars' increasing freedom.

At the first session, on Oct. 9, Yuri A. Polyakov, a historian, said the vast majority of the victims of Stalin's purges had been innocent of the crimes for which they were convicted and executed.

"Stalin cleverly used the climate of the period to get rid of people who had opposed him in the past," he said.

In general, Mr. Polyakov seemed cautious. He rejected Western estimates that more than 10 million people had died during the Stalin terror, saying that 1 million was a more realistic number.

A discussion among historians reprinted in the August issue of *Kommunist*, an influential journal of the Central Committee, also reflected the crosscurrents in historiography.

Mr. Polyakov, a participant, said: "Our evaluations of Khrushchev are strictly negative, and I think it's wrong. Life should not be pictured only in black and white."

The reopening of the Stalin era, pioneered by Khrushchev's startling disclosures in 1956, has been renewed after 20 years of indifferent study under Mr. Brezhnev.

Current scholarship and recently published literary works like the novel "Children of the Ark" by Anatoli N. Rybakov, have focused attention on Stalin's terror and its lasting effect on society. In Khrushchev's period the disclosures concentrated on Stalin's dismemberment of the party.

Yuri Afanasyev, who heads the Moscow Institute of Historical Archives and has led the drive to investigate veiled periods, suggested that the terror reflected a systemic weakness rather than the irrational behavior of a single leader—a point Western historians have waited decades to hear from a Soviet counterpart.

Stalin's brutal campaign to nationalize agriculture and end private farming in the late 1920s and early 1930s has been publicly questioned.

Writing in *Znamya*, a journal of the writers' union, Vladimir Shukhin, a sociologist, described the period of collectivization as a time of "inconceivable deprivations and hardships."

But the criticism has produced a backlash. In a letter published by the newspaper *Moskovskoye Novosti*, Anatoli Borisov, a historian, accused Mr. Afanasyev of dealing with issues he was not competent to discuss and "laying into the hands of bourgeois historiography."

Mr. Ligachev, apparently troubled by the new look at Stalin, said in a speech: "In the 1930s this country moved to second place in the world in terms of industrial output, collectivized its agriculture and attained unprecedented heights in developing culture, education, literature and the arts."

Living Abroad

Drying Out Alcoholics: U.S. Method Is Gaining

By Sherry Buchanan
International Herald Tribune

A small but growing number of clinics in Western Europe are using American-inspired approaches in treating alcoholism.

The most widely accepted treatment in the United States is the so-called Minnesota method, which has its roots at the Hazelden treatment clinic in Center City, Minnesota.

The Minnesota method, in use for 35 years, is based on the idea that alcoholism is a disease. It follows the principles of Alcoholics Anonymous, advocates total abstinence as the only cure, and uses individual and group therapy with a multidisciplinary team (a clergyman, a psychologist, a physician and a chemical dependency counselor).

It also emphasizes aftercare that includes individual and family meetings with one of the clinic's counselors for as long as a year, in addition to AA meetings for the rest of the patient's life.

"Certainly the amount of treatment centers using the Minnesota model is increasing in Europe," said Tony McLellan, program director of the addictive diseases unit at the Charter Clinic in London, which opened in 1980.

The unit's four-week inpatient program costs £7,500 (\$12,000), and the out-patient program costs £60 a day. Only half of the patients are covered by insurance.

There are now eight treatment centers in England using the Minnesota method. In addition to the Charter Clinic, these include Farm Place in Oakley, Surrey; Broadway Lodge in Broadway, Hereford; and the Promise Recovery Center in Nonington, Kent.

In West Germany, there are two treatment centers that follow the Minnesota model, one in Bad Herrenalb and the Obernberg Clinic, which just opened in Bad Salz Uffen. There also is a clinic in Geneva, La Ménière.

Hazelden officials estimate a 60-percent success rate after one year. Traditional treatments, according to medical experts, have a 75-percent relapse rate. They include anti-depression treatment, which often

substitutes pills for alcohol, or aversion treatments, which make people feel sick if they drink.

"Anybody can be disintoxicated," said John, a 45-year-old British expatriate who lives in Paris and who after following various other treatments and being dried out 15 times finally went to the Charter Clinic on the recommendation of his physician in London.

"But it doesn't get rid of the alcoholism in one's mind," he said. "I went through every possible treatment before I went to the Charter Clinic. Tranquilizers just compounded the addict's problem. In one place in England where I was dried out, they gave me two cans of beer on my dinner tray!"

Said Mr. McLellan: "The traditional way of treating alcoholism is to treat people for anxiety and depression. The attitude is, 'You're depressed, therefore you drink.' We say: 'You drink, therefore you're depressed.'"

These clinics are opposed to the "controlled drinking" groups that have popped up in England to teach people how to drink "normally."

"Alcoholism is an illness, almost like an allergy," said Christine Kerr, a chemical dependency counselor at Farm Place. "If you have an allergy to white sugar you wouldn't expect somebody to be able to eat a little brown sugar."

The treatment costs £840 a week and lasts a minimum of five weeks and an average of eight.

"Proponents of controlled drinking say alcohol is stress-related and treat the stress problem," said Miss Kerr. "But we have people with lots of problems, no problems, lots of stress, no stress, rich and poor, they're isn't anything that links them except alcoholism."

With the new treatment centers in Europe, U.S. companies that used to send their senior executives and spouses back to the United States to dry out are now sending them to England, West Germany and Switzerland, depending on their language preference.

Some Unmentionables From the Past

New York Times Service

MOSCOW — Here are some figures of Soviet history who are officially ignored:

LEON TROTSKY, a principal leader of the Bolshevik Revolution, formulated a theory of a "permanent revolution" that he expected to engulf the world. Once in power, he organized the Red Army. An advocate of world revolution, he clashed with Stalin's concept of "socialism in one country." He was exiled in 1929 and assassinated in Mexico in 1940.

GRIGORI Y. ZINOVIEV opposed the Bolshevik seizure of power in 1917 as premature but went along when a party majority voted for Lenin's plan. As head of the Comintern, he joined Lev B. Kamenev and Stalin in a triumvirate after Lenin's death in 1924, and he led the triumvirate's campaign to remove Trotsky from the party. Stalin consolidated his power in 1926. After



Leon Trotsky

years of infighting, Zinoviev became chief defendant in the first of the "show trials" that Stalin held in 1936. Zinoviev, Kamenev and 13 other Old Bolsheviks were executed on charges that

they had conspired to overthrow the government.

LEV B. KAMENEV, Trotsky's brother-in-law, was expelled from the party in 1927, recanted and was given minor offices until his arrest and imprisonment in 1934 as an accused accomplice to the murder in 1930 of Sergei M. Kirov, the Leningrad party chief.

NIKOLAI I. BUKHARIN, a Lenin loyalist and party theoretician, allied himself with Zinoviev and Kamenev against Stalin in the 1920s. He advocated slow farm collectivization and industrialization. Stripped of his official positions after Stalin took control, he briefly edited *Izvestia*, the government newspaper, in 1934. He was executed for treason in 1938.

NIKITA S. KHRUSHCHEV became first secretary of the Communist Party in 1953 after a power struggle that followed the death of Stalin. He was removed in 1964 and died in 1971.

In East Europe, Industrial Growth Erodes National, Cultural Heritages

By John Tagliabue
New York Times Service

KRACOW, Poland — Across Eastern Europe, a crisis of the environment is eroding natural and cultural heritages, confronting Communist governments with major pollution problems at a time when economic difficulties are diminishing the financial resources to deal with them.

In such East German cities as Leipzig and Dresden, buildings spared the ravages of World War II are now subject to the gnawing of polluted air.

In the panhandle where East Germany, Czechoslovakia and Poland meet, an area noted for lignite mining and power generation, the level of water, soil and plant contamination has reached troubling proportions, according to a study by the Wrocław College of Science and Technology in Poland.

Major rivers such as the Oder, which divides Poland and East Germany, and the Vistula, central Poland's largest waterway, are clogged with industrial waste and sewage—the spinoff of rapid post-war industrialization and population growth.

The developing environmental crisis is causing governments all over Eastern Europe for the first time to consider scaling back local industries, like steel and chemicals, in certain areas in light of their lagging environmental effects and poor economic prospects.

"The restructuring of Poland after World War II was largely a

history of industrialization, of transforming an agricultural society into an industrial nation," said Marek Paszucha, Kracow's deputy mayor and an engineer who is also responsible for environmental protection in the Kracow region. "But the restructuring is now showing its negative sides."

There are three principal problems, and that is land, water and the air, involving both noise and pollution," he said. "I stress the last because it is vital. Putting it simply, there are two main sources: industrial production and power generation."

He added: "We know that the technology of our industrial plant and power industries is not the most modern."

The radioactive cloud from the Chernobyl nuclear accident in the Soviet Union 18 months ago, which forced governments to take emergency public health measures, was one pollution development that shook the people of Eastern Europe.

In cities such as Kracow, though, it did not take Chernobyl to let people know that something was wrong.

A lovely southern city on the Vistula, Kracow is an example of many of the environmental problems that beset Eastern Europe.

High salinity in the Vistula from industrial waste and farm fertilizers, and pollution of lesser tributaries that supply some of the city's drinking water, have raised concern.

Now-facile statues next to the Church of St. Peter and Paul on Grodzka Street, and flanking stone friezes on the sturdy Wawel Cathedral on a hill above the city, are a kind of barometer of the sulfur compounds spewed out by nearby blast furnaces and power plants.

Kracow's old buildings have earned it a place on a list of the world's cultural heritages compiled by the United Nations Educational, Scientific and Cultural Organization, a fact that conveys privileged status among Polish cities. Large sums of money are spent on restoration by the national government and private donors.

The ecological threat has caused a public outcry. The local chapter of Freedom and Peace, a loosely organized Polish opposition group that began with the issue of conscientious objection to military duty, includes environmental activity in its program.

Long before such demonstrations, however, moonlighting ecologists and local scientists banded together in the Polish Ecological Club, a government-endorsed organization that has since spread its activities across Poland to raise public consciousness about the environmental problem.

Communist governments throughout the East bloc seek to channel such activity. In September, Kracow was the scene of a meeting of similar groups from East Germany, Czechoslovakia, Hungary and the Soviet Union.

Pollution is widespread in many Western nations as well, but experts consider the crisis more severe and further along in Eastern Europe. For one thing, East European industry is more heavily concentrated in small areas than in Western Europe or the United States. Also, lack of money and the fact that industrial management and environmental control are in the hands of the same leaders has tended to slow cleanup efforts.

Some economists say that sufficient profitability to permit the industries themselves to pay for pollution-control equipment—rather than expecting the government to supply it—can only come if the mills scale back unprofitable activities, as steel mills in Western countries have done, and lay off thousands of unnecessary workers. Such measures are unpalatable to the political leadership that fears unemployment and labor unrest.

Pakistan Says Afghanistan Is Not Easing Pullout Policy

Reuters

ISLAMABAD — Pakistan condemned on Monday an Afghan government assertion that it had eased its position on ending the conflict in which Soviet and Afghan forces are engaged against anti-communist guerrillas. A Foreign Ministry spokesman said Kabul's drive for peace with the rebels is in fact "a campaign of disinformation."

Kabul and Moscow, the spokesman said, have asserted that Soviet troops, estimated by the West to number about 115,000, will leave

Afghanistan upon termination of what the say is Western interference in backing the rebels. The Pakistani spokesman said attempts by Kabul to link the two issues in a forthcoming UN resolution were unacceptable.

The UN General Assembly holds its annual debate on Afghanistan on Nov. 9-10; seven previous debates have resulted in large majorities calling implicitly for a withdrawal of Soviet troops from Afghanistan. Pakistan, which is host to rebel bases, is co-sponsoring the resolution with 46 other states.

The Pakistani government, led by Major General Najib, had sent emissaries to 50 or 60 countries and was campaigning at the United Nations in advance of the debate. Pakistan has countered by sending its own envoys to more than 30 countries in Africa, Asia and Latin America as well as campaigning at the United Nations.

Chinese Bus Plunge Kills 21

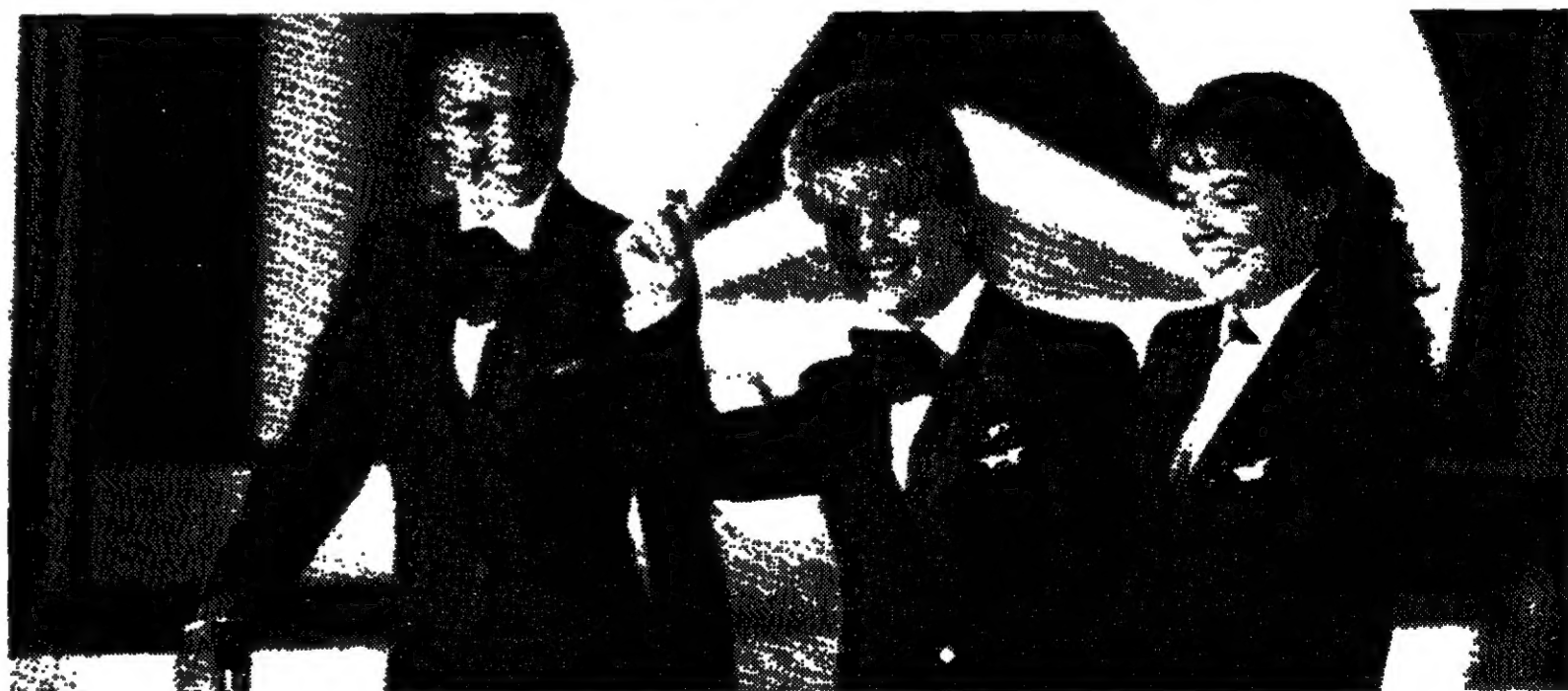
The Associated Press

BEIJING — A bus plunged 30 m (99 meters) into a ravine in Anhui Province, in central China, killing 21 persons and injuring 31 others, according to a Shanghai newspaper received here on Monday.

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'Real' Costume Jewelry Is In

By Anne-Marie Schiro

NEW YORK — It isn't fake anything. It's real costume jewelry. And it's being worn without apology — by women of every age and financial bracket. A teen-ager picks up a vintage rhinestone brooch in a thrift shop, and her grandmother sports a copy of the Duchess of Windsor's jeweled flamingo pin. Even Brooke Astor has been known to wear bogus gems. It's all in the name of fashion, so much so that "costume jewelry" is more and more referred to as "fashion jewelry."

By any name, it has become a \$2.3 billion-a-year industry. Sales have increased as much as 20 percent annually in the last five years. Small shops specializing in fashion jewelry have sprung up on city streets and in suburban malls all over the United States. Two at the upper end of the scale, where prices climb into the hundreds of dollars, are Ylang-Ylang and Zoé Coste. Both started in Europe, came to New York and have expanded to other cities, all in the space of five years.

A sure sign of the fashionable status of bogus gems was the auction at Sotheby's of Diana Vreeland's collection of costume jewelry, mostly from the 1950s and '60s. The one-time fashion editor and all-time arbiter of style delights in wearing masses of jewelry and often intersperses the real with the fake.

"Once Diana had on two of my fake animal bracelets and a real David Webb," said Kenneth Jay Lane, who helped to make costume jewelry fashionable in the 1960s and who designed more than 60 of the nearly 200 lots in the Vreeland auction. Two of Vreeland's other favorites were Yves Saint Laurent and Chanel.

The auction included four of Chanel's plastic bangle bracelets inset with jeweled Maltese crosses as well as Lane's enameled metal versions of those same bracelets.

Lane originally copied the Chanel for Vreeland, he said, and then added them to his wholesale collection. They currently sell for about \$100 at retail.

Lane also made costume jewelry for the Duchess of Windsor, including copies of her own flamingo pin and jeweled panthers. He recently revived those designs for his wholesale line and his 12 retail stores in the United States and Europe. The duchess's flamingo and panther jewels were among the stellar attractions in April at the \$50 million Sotheby's auction of her jewelry.

That auction started the current craze for fashion jewelry that looks like the real thing. A few years ago, the demand was for fake, oversize pieces.

One of the first jewelry makers to realize the potential of translating the Windsor treasures into affordable glass and brass was Carolee Designs. In April, Bloomingdale's introduced Carolee's \$75 version of the duchess's flamingo pin, smaller than the original, and it "sold beyond our wildest dreams," said Carolee Friedlander, the company's designer and president.

"That pin started the whole thing," said Becky Martin, the



Carolee Friedlander models jewelry from her fall collection.



Carolee's version of the famous flamingo pin (\$75).

\$2,000 for an evening necklace. Stores report no customer resistance to even the highest prices. "The higher-priced jewelry is being bought by the women who have the real," Martin said. "She buys it for travel when she doesn't want to take her good things. Or she buys it because she worries about theft, and jewelry insurance is too high."

Copies of estate jewelry are not the whole story. The other big trend is to sculptural metal designs like those Robert Lee Morris made for Donna Karan. These pieces come in silver, brushed gold-toned metal or brushed copper. "The new generation of costume jewelry wears goes for these bold pieces with a contemporary look," said Arlette Cohen, a part-owner of Zoé Coste.

"This segment has been growing year after year," said Roger Goring, a vice president and the merchandise manager for accessories at Saks Fifth Avenue. "But our customer tends to be more traditional, so the somewhat more traditional jewelry — the kind that looks like real jewelry — is still extremely important to us."

It isn't only in the highest price levels of the costume jewelry market that these trends are apparent. They can also be seen in the lines of both Monet and Trifari, among the oldest and biggest manufacturers of costume jewelry, whose prices rarely top \$100. "The look of the real is in; fake is out," said Linda Borella, Monet's director of sales promotion.

"Costume jewelry was highly designed from the 1920s, when it started, to the 1940s days of movie-star glamour," said Jim Northrop, the president of Trifari. "In the '60s and '70s women's roles and perceptions changed. It was a time of 'anti-artificial' in all areas, including jewelry. Gold became both a fashion and an investment. But as the price of gold increased, all people could afford were daisy chains and earrings. Costume jewelry was also copies of daisy chains and earrings."

Then came the '80s, and fashions changed. "Jewelry was too seriously real or too serious for the fantasy clothes that have come along," said Kenneth Jay Lane. "Nobody's going to say, 'Wow!' about a piece of real jewelry that costs \$600 or \$700. A 'wow' piece would cost \$50,000 or \$150,000 or \$1 million."



Prince of Wales feathers pin (\$95), copied from the Duchess of Windsor's piece now owned by Elizabeth Taylor.

group buyer for costume jewelry at Bloomingdale's. "There's no stopping it. It's still fantastic. In fact, we put it in our Christmas catalogue."

"The duchess has been a major boost to the costume jewelry business," she added. "The panther jewelry is also very strong. Certain customers are aware of the designs. Others are just learning to recognize them. I expect the trend will grow as more people around the

country become aware of it. This is just the beginning."

Carolee recently added a heart pin with the Windsor crest (\$85) and a \$95 version in rhinestones and baguettes of the feather pin Elizabeth Taylor bought for \$623,327.

Carolee's prices go up to \$300. Kenneth Jay Lane's go to \$700 for a necklace or a rhinestone belt like one he originally made for the duchess. Chanel's prices can reach

Publishing Women Rise to the Top

By Edwin McDowell

NEW YORK — For years, many of the most talented book editors have been women; now they are assuming positions of corporate power.

"The great thing about publishing is that it's entrepreneurial," said Joni Evans, who less than two weeks ago was named publisher of Random House. "If you signed up a best-seller, or edited it, or sold the subsidiary rights, you would get a report card quickly."

Other businesses reward unusual enterprise, of course, and many corporations have responded to charges of sexism by redressing the inequities of the past. But in publishing, women — possibly by virtue of the industry's relatively open atmosphere, or simply because of their numbers — are becoming especially successful.

Evans's career began in 1963, when she started as a secretary at McCall's magazine. A few years later, she went to William Morrow & Co. as an editorial assistant and quickly became a junior editor, before going to Simon & Schuster in 1974 as subsidiary-rights director.

Five years later she became the editor of her own imprint and, in 1985, president of trade book publishing.

Her new job makes her a likely candidate to succeed Robert L. Bernstein, the 64-year-old chairman of Random House, when he steps down — but so are a half-dozen other Random House executives, Bernstein said, including Susan Petersen, president of Ballantine-Del Rey-Fawcett Books, and Carolyn Reidy, associate publisher of Vintage Books. If Evans, or one of her female colleagues, indeed is named to the No. 1 position, she won't be alone.

Two months ago Phyllis Gran, who started as a secretary at Doubleday in 1958, became the only female chief executive of a major trade book publisher: the Putnam Publishing Group.

In less than a year, Alberto Vitale, the chief executive officer of the Bantam, Doubleday, Dell Publishing Group, has put three women in charge of companies that he oversees — Nancy Evans at Doubleday, Carole Baron at Dell and Linda Grey at Bantam Books. In addition, Maureen Egan is editorial director of Doubleday's many book clubs, and Genevieve Young is editor in chief of its influential component, the Literary Guild.

Some executives suggest that publishing's new stars may have benefited from the fact that in the late 1960s and 1970s many ambitious men avoided careers in publishing. "The men who might have competed for those positions may have gone into Wall Street or other businesses that pay more," said Evelyn Shrifte, president of Vanguard Press since 1954.

In the long run, though, some women are finding that the trade-offs they made were worthwhile. "They had a more thorough apprenticeship," said Nan Talese, who last year became publisher of adult trade books at Houghton

Mifflin. In the 1960s, she said, while most women entered publishing as editorial assistants, a largely secretarial position, men generally began at a slightly higher level.

"By coming in in the middle, they never learned the business as well," she said. While many male editors were winning and dining agents and authors, their female counterparts were honing their skills in publicity, subsidiary rights and marketing — the parts of the business that are less glamorous but essential to success.

Linda Grey said she never found publishing particularly sexist, but she also remembers the disparity at the entry level. "A few men started as editorial assistants, but most started as readers, so they could put their hands on a manuscript instead of a typewriter."

Despite the changes at the top, few publishing executives expect to see much difference in the kinds of books that are produced. The percentage of female editors has always been high and women have long been recognized as the prime purchasers of books. But perhaps the atmosphere at the houses will change. The overturning of the male status quo could lead publishers to institute such progressive policies as maternity leave and corporate-sponsored child care.

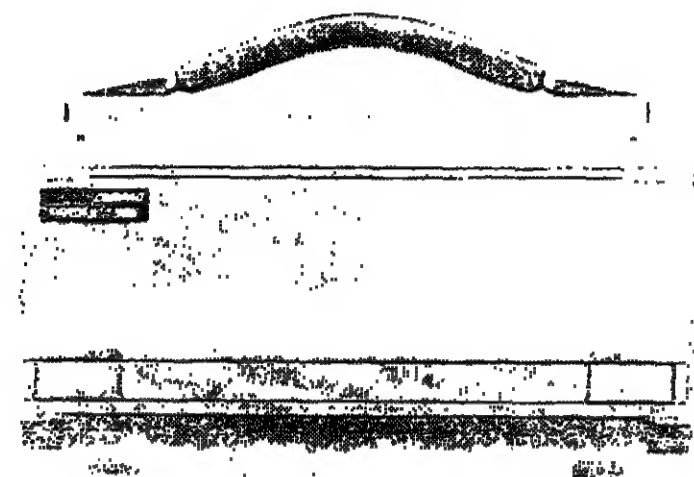
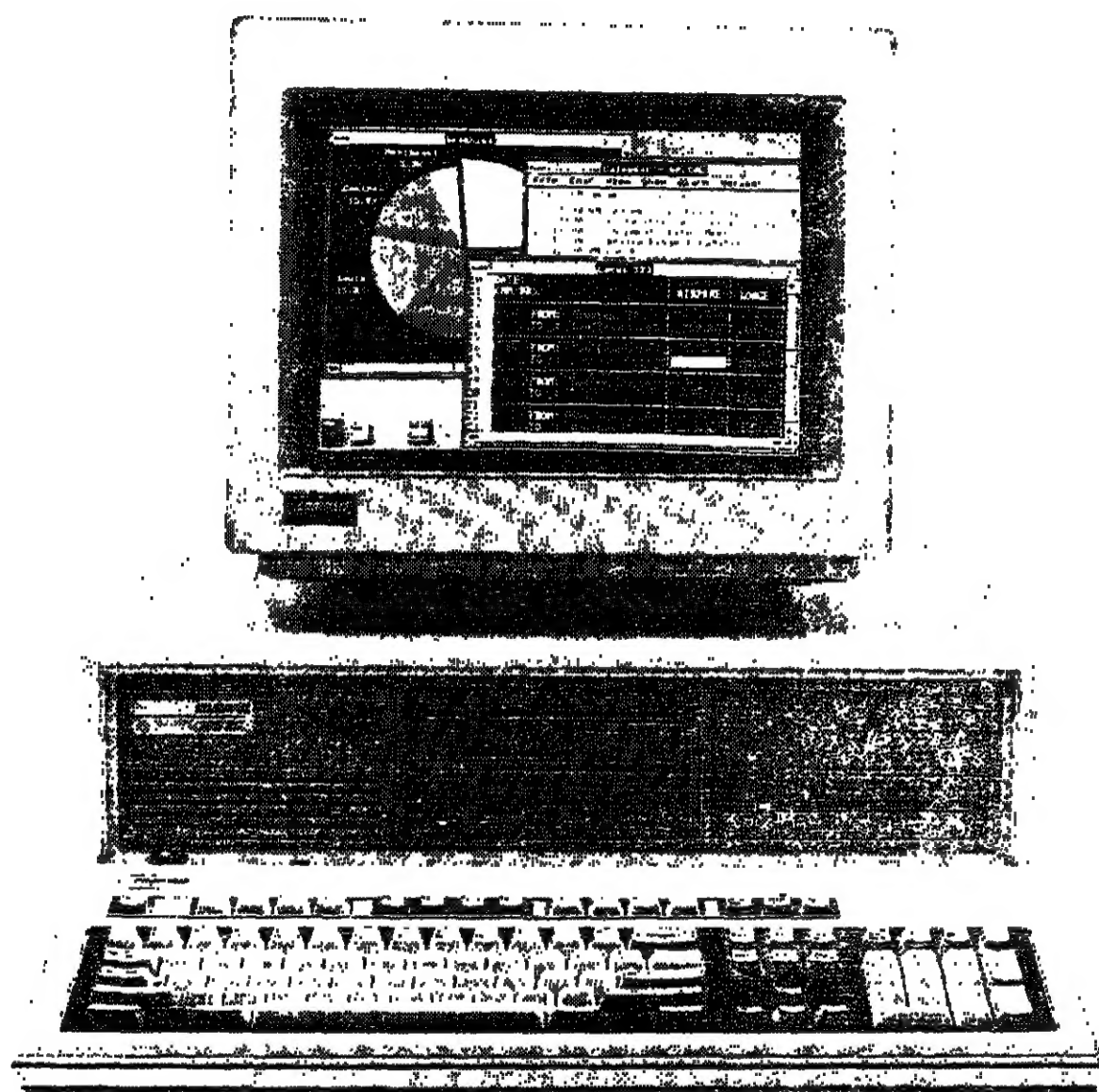
"We're joking about nannies and baby bottles in the conference room," said Nancy Evans of Doubleday, who is expecting her first child in February. In anticipation of eventual parenthood, Lynne Lumsden, the publisher of Dodd, Mead & Co., has already installed a nursery across from her office.

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MARKETS TAKE NEW PLUNGE: Stock Prices Dive in a Vacuum of Confidence

European Markets Fall After Plunge in Asia

London Index Ends Day Off 111 Points

Compiled by Our Staff From Dispatches

LONDON — Stock prices fell sharply Monday on the London Stock Exchange in response to a 33 percent plunge on the Hong Kong Stock Exchange and to a sharp fall in the dollar at the opening of European trading.

After being off as much as 150 points during morning trading, the Financial Times-Stock Exchange 100-share index recovered somewhat to finish at 1,684.1, down 111.1 points, or 6.2 percent, for the day.

The equivalent of about \$220 billion has been wiped off the London share values in the last week.

Shares slumped in early in the session after the fall in Hong Kong and a near 5 percent drop in Tokyo overnight. The market was dismayed by the dollar, which fell as much as 4 pence in Europe before recovering.

There was a brief rally around midday, but prices continued to fall on expectations of a lower opening on Wall Street.

Although the New York Stock Exchange was hit with heavy selling, brokers in London had largely discounted the drop, dealers said.

They described selling as emotional and said it would take dramatic news to stop the slide.

Traders in markets around the world are anxiously awaiting an announcement on moves to curtail the U.S. budget deficit from Monday's meeting between President Ronald Reagan and Congress, dealers said.

Many, however, said they were skeptical that positive moves, such as tax rises, would be announced soon.

The U.S. budget and trade deficits have been cited as the main cause of the global slump in share prices. One analyst, who asked not to be named, said, "What everyone wants now is positive noises from the U.S. on how they're going to

U.S. Bond Prices Surge as Stocks Resume Fall

The Associated Press

NEW YORK — U.S. bond prices soared Monday in moderate trading, as prices on the New York Stock Exchange slid sharply again and investors sought the relative safety of the credit markets.

The Treasury's key 30-year bond climbed about 15 points, or \$15 for every \$1,000 in face value, its yield, which moves inversely to its price, dropped to 8.90 percent from 9.12 percent.

Analysts said prices were boosted by demand from investors shifting funds from the stock market into Treasury securities, as happened through most of last week.

The bond advance is also being fueled by speculation that the turmoil in the stock market could lead to an economic recession, spurring the Federal Reserve Board to loosen credit by nudging interest rates lower.

Without such signs the dollar is likely to come under intense downward pressure, despite central bank intervention, he said.

With the FT-SE 100 index now below 1,700, some dealers are pointing to 1,500 as the next major support level.

"If charts still mean something, 1,500 looks like it could provide some support," one dealer said, "but in markets like this, support levels are just guesswork."

"The man in the street has had a chance to digest the weekend press and its forecasts of a continuing bear market," one dealer said, "and now looks to be liquidating some of his unit trust positions as well as shares in recent government flotations that are still showing a profit."

(AP, Reuters)

Paris Leads Retreat on The Continent

Reuters

PARIS — Prices on major European stock markets plunged Monday in reaction to the sharp falls on Asian markets and, late in the day, to New York's continued decline.

In Paris, the all-share indicator fell 8.05 percent, a dive nearly as severe as the 9.7 percent loss last week Monday.

In Frankfurt, the Commerzbank index of 60 leading shares, calculated at mid-session, fell 97.50 points, or 5.8 percent, to a two-year low of 1,569.2.

In Zurich, the all-share Swiss index fell 10.4 percent, its second-largest drop after the 11.3 percent plunge on Oct. 19. Traders said volume was fairly high.

On the Paris Bourse, the main index slid 5.37 percent shortly after the opening, then slumped further in late trading as dealers grew discouraged by yet another fall in New York.

Foreign investors, who were quiet in the morning, placed large sell orders in the afternoon. Some French institutions made buy orders, seeking bargains.

Several stocks were suspended because of the sharp fall in prices, including Lafarge Cyprie and Elf Aquitaine. When trading reopened on the stocks, they continued to slide. Lafarge was last quoted down 135 francs, at 1,215, while Elf was down 17 francs, to 261.

Other stocks underlying the stock options market were also down. The options market was closed all day to clear the backlog of orders.

Some dealers said that the plunge in Tokyo earlier in the day had worried French investors. The operators said that fears were growing of a U.S.-led recession.

Dealers in Frankfurt said losses there were magnified by thin volume. The dollar's fall further undermined confidence.

(AP, Reuters)



PLUNGE IN PARIS — French stock prices dropped sharply again Monday, with the main index down more than 8 percent. Last week Monday, shares fell a record 9.7 percent.

Rich Arabs, but Not Governments, Shy From Stocks

Reuters

MANAMA, Bahrain — Wealthy Gulf Arabs, jolted by falling stock markets, are rethinking their investment strategies, analysts say, and signs are emerging that large merchant families are retreating from overseas share investments.

But governments such as Kuwait are unlikely to sell their stakes in European and U.S. companies, Gulf-based economists add.

"Individuals are very nervous," one economist said. "An awful lot of banks are holding an awful lot of hands very tightly."

Economists say that the short-term option, already exercised by some individuals in the region, is to reduce foreign share holdings and deposit cash with banks.

Analysts note that the strategies of wealthy individual investors — many the heads of old Gulf merchant families — and of oil states are often different.

Private Arab investors are inclined to seek short-term gains, moving quickly in and out of world stock markets. That tendency to "play the market" has faded somewhat since the \$90 billion crash in 1982 of the Kuwaiti stock market that was known as the Souk al-Manakh.

But governments, foremost Kuwait and Saudi Arabia, which still possess huge foreign reserves built up during the early 1980s, have adopted a far longer-term policy.

"The stock market fall may have wiped out paper profits for nations like Kuwait," one

economist said. "But some corporate stakes have been built up over years and there is a long-term commitment, with seats on the board and a true interest in profitability and development of firms."

Investment bankers say that the strategy for private wealth, often managed by banks in Bahrain, London and Switzerland, will be fully reassessed only when stability returns to Wall Street.

The plunge in world prices has had only a minor effect on share prices in Bahrain and Kuwait. The all-share index for the Kuwaiti market — the most developed in the Gulf — dropped last week by a relatively minor 1.19 points to 40.70 and is still 5 percent above the level at the end of last year.

Given the downturn and a widespread reluctance to invest in the Gulf because of the war, money from other exchanges is unlikely to flow into the Bahrain and Kuwaiti exchanges, economists say.

Analysts said they expected Arab investors to consider several options. These include shifting funds from financial assets to such real assets as precious metals and real estate, particularly in the United States. Real estate prices in the Gulf are depressed following last year's crash in world oil prices.

Another possibility is to move into the U.S. bond markets, where hopes that the monetary authorities will keep interest rates low could lead to price gains over the coming months.

But economists in the Gulf believe the bond markets could turn as chaotic as equities if confidence in U.S. monetary policy is eroded and inflationary fears take hold.

While attention has focused on problems that could be facing private investors, Kuwait took the unusual step on Friday of issuing a statement that the drop in world share prices would hit its reserves only temporarily.

Much of its \$90 billion worth of hard-currency reserves is in blue-chip stocks in the United States, Japan and Europe.

Kuwait's investment strategy "is not built on quick reaction or short-term changes in world markets," said Fahd Mohammed al-Rashid, general manager of the Kuwait Investment Authority.

Of the members of the Gulf Cooperation Council — Saudi Arabia, Kuwait, Bahrain, Oman, Qatar and the United Arab Emirates — Kuwait is thought to have the largest stock holdings.

The makeup of the portfolio and the weighting to bonds and other instruments is a secret. Some economists estimate that Gulf producers have about \$60 billion invested in the United States. Of that, half might already have been in the government bond market before last week's stock chaos. Equity stakes could total about \$10 billion.

Saudi Arabia, with an estimated \$80 billion to \$90 billion of reserves, has made no statement on the market collapse.

Tokyo Suffers 3d-Largest Drop

Compiled by Our Staff From Dispatches

TOKYO — Prices on the Tokyo Stock Exchange plummeted 4.7 percent on Monday, reflecting worries about Wall Street's health and a record plunge in Hong Kong share prices.

The most closely watched indicator, the Nikkei average of 225 selected shares, tumbled 1,096.22 yen to close at 22,202.56 yen. It was the third-largest single-day point decline on record. The average fell 3,836.48 yen last Tuesday and 1,303.23 yen on Friday.

Traders attributed the decline to selling by foreign shareholders and to concern about possible dislocations when the New York Stock Exchange opened later in the day and investors had to settle accounts from last week's drop in stock prices.

Ginger Tulley, an analyst at Vickers & Costa, said the drop in Tokyo resulted from "general fear and uncertainty, particularly over

what's going to happen in Hong Kong," where the key Hang Seng index lost 1,126 points, or 33 percent, to close Monday at 2,236.68.

"It's clear the market is still really nervous," said Jonathan J. Joseph, a research analyst at Shearson Lehman Brothers in Tokyo.

Economists and other analysts insisted, as they have for the past week, that the tremors in Tokyo were basically a reaction to New York developments and not a reflection of concern about the Japanese or world economy.

They said, declines in prices were perhaps inevitable because the market here was deemed overvalued.

But the Tokyo business community was startled by the severity of the drop Monday, which was heading for a steeper decline until it rallied toward the end of the day.

Since reaching a its record high of 26,646.43 yen on Oct. 14, the Nikkei average has lost 17 percent of its value.

Buyers were few for much of the day, which helped explain the relatively modest volume of about 650 million shares. By comparison, volume in Saturday's half-day trading totaled 572.73 million.

Tokyo is no longer started to see a billion or more shares traded on a single day. That is because stock prices are low, and each transaction involves, on average, many more shares than on the New York Stock Exchange.

The low volume reflected fundamental weakness among Japanese investors, analysts said. It was for foreigners who brought the index down, selling shares at one point 10 times faster than they were buying.

Following the selling spree at the Tokyo Stock Exchange, the Osaka Securities Exchange tumbled Monday, with the bellwether December contract dropping below the 1,200 yen level.

In Sydney, share prices plunged 6.7 percent in hectic trading as investors took their cue from Hong Kong and Tokyo and sold heavily. The All Ordinaries index fell 100 points to close at 1,413, with all sectors down sharply.

Singapore shares fell across the board, with the Straits Time Industrial Index losing 50.40 points, or 5 percent, to 913.17 in very heavy trading.

(NYT, AFP)

Wall Street Brokers Still Counting the Cost, but Have Little to Crow About

By Alison Leigh Cowan

New York Times Service

NEW YORK — After a frantic week of battling the stock market, Wall Street's brokerage firms spent the weekend clearing up the debris and getting ready for what seemed certain to be another hectic week.

Clerical employees prepared for Monday and Tuesday, when the flood of trading from last week Monday and Tuesday must be cleaned up on their books. The firms are required to settle trades — make sure a seller's records and a buyer's records are in accord — within five days. Only then can they assess what last week's plunge did to their finances.

"The Street is coming out of this pretty well," said Max C. Chapman Jr., president of Kidder, Peabody & Co. "But I think Monday or Tuesday will be critical."

Until then, the reckoning remains unclear. But the record volume may have been an unexpected windfall for big retail houses — up to \$3 billion, by some estimates. They deal with thousands of ordinary investors, who pay higher commission rates than institutional investors.

In addition, the money that huge firms like Salomon Inc. made on inventories of bonds, which rose in value with the credit market rally, may help offset whatever beating they took in their stock holdings.

It may be weeks before anyone knows how badly some firms were hit by last week's crisis. But the stocks of publicly traded brokerage firms were among the biggest casualties, a sign that investors expected the damage to be serious.

Three big securities firms, L.F. Rothschild & Co., E.F. Hutton Group and Paine Webber Group, were among the 15 stocks hardest hit on the New York Stock Exchange. By week's end, L.F. Rothschild's shares had lost 51 percent of their market value. Paine Webber's 40 percent, and E.F. Hutton's 44 percent.

Wall Street's strongest investment banking firms were hard hit as well. First Boston was down 32 percent, Bear, Stearns 33 percent, Salomon 32 percent, Morgan Stanley Group 23 percent, and Merrill Lynch 21 percent.

"It makes perfect sense that they're down more," said John Keefe, an analyst who follows the securities industry for

means that when market prices drop as they did last week, the firms are hurt by the fall in value of their inventories.

James E. Cayne, co-president of Bear, Stearns, said, "I would have to say that Wall Street firms did not win. As a matter of fact, they lost."

Bear Stearns may have lost in another way, too: Jardine Strategic Holdings Ltd. of Hong Kong said Friday that it was terminating its \$393 million offer to buy 20 percent of the New York firm.

Some Wall Street analysts are already reducing their earnings estimates for the publicly traded brokerage stocks. Michael W. Blumstein, a First Boston analyst, has chopped his estimate for Bear, Stearns' current quarter to 25 cents a share, from 55 cents, even though the firm is believed to have earned two to three times its usual commissions last week.

Mr. Blumstein cited losses sustained in the firm's stock arbitrage unit, a department that bets on the outcome of takeover battles. Last week's tumult scotched many takeovers at the last moment, much to the dismay of arbitrageurs who owned the stocks. Bear, Stearns is also expected to

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Employees of the New York Stock Exchange worked over the weekend to help clear a backlog of paperwork.

Ford, Exxon Profits Rise Slightly

Refining Limits Gain at Oil Company

Compiled by Our Staff From Dispatches

NEW YORK — Exxon Corp., the world's largest oil company, said Monday that its net income during the third quarter increased by less than 1 percent.

During the quarter ended Sept. 30, the company reported net income of \$1.07 billion, or 75 cents a share, compared with \$1.06 billion, or 73 cents a share, in the 1986 period. The per-share figures reflect a 2-for-1 stock split paid Aug. 13.

Revenue during the quarter was \$21.93 billion, up 28 percent from \$17.19 billion in the year-earlier quarter.

Exxon said higher crude oil prices and lower operating expenses had helped profit, but the gain was limited by depressed margins in the refining sector. Price increases for refined products have not kept pace with higher crude costs, Exxon said.

The company said earnings, volume, and margins in its chemical operations were strong.

Exxon said capital expenditures in 1987 was now expected to be above earlier forecasts. Exxon said these expenditures were projected at \$6.5 billion to \$7.5 billion for 1987.

For the first nine months of 1987, capital and exploration expenditures were \$4.2 billion, down from \$5.6 billion in the comparable period of 1986, the company said.

For the first nine months of

Boeing Reports Profit Drop

Reuters

SEATTLE — Boeing Co., the world's largest commercial aircraft maker, said Monday that its third-quarter earnings fell to \$104 million, or 67 cents a share, from \$157 million, or \$1.01 a share, a year earlier.

Sales for the quarter fell to \$3.52 billion from last year's \$3.8 billion. No reason was given for the drop in income.

Boeing said orders for jet transports continue to be above expectations and it expects that this trend will continue for the rest of the year. The company said it expects full year sales to exceed \$15 billion.

1987, Exxon reported net income of \$3.29 billion, or \$2.31 a share, compared with \$3.88 billion, or \$2.68 a share, revenue during the period totaled \$61.53 billion, up from \$57.41 billion in the first nine months of 1986.

Mobil Corp. also reported quarterly results on Monday. It said its net profit had risen to \$319 million from \$182 million a year earlier, a gain of 75 percent.

Mobil's revenue rose 28 percent to \$14.44 billion, from \$11.31 billion.

Shell Oil Co., the U.S. arm of Royal Dutch/Shell Group, said Monday that its net profit for the quarter had risen steeply to \$420 million from \$193 million. Revenue advanced to \$5.65 billion from \$4.01 billion, a gain of 41 percent.

(AP, Reuters)

Another Record Quarter, 6th in a Row, for Automaker

Compiled by Our Staff From Dispatches

DETROIT — Ford Motor Co. said Monday that its net profit rose 1.4 percent to \$703.2 million in the third period, the company's sixth consecutive quarter of record profit.

The No. 2 U.S. automaker said that its worldwide sales for the period ended Sept. 30 rose by 5.6 percent to \$15.2 billion compared with the third quarter of 1986. Factory sales for the 1987 quarter, however, declined 7 percent to nearly 1.24 million units.

In per-share terms, earnings rose to \$2.76 from \$2.61 in the year-earlier quarter.

The relatively modest increase in quarterly profit stemmed in large part from the fact that Ford had had a one-year gain of \$102 million in the year-earlier period. This arose from the sale of its North American paint operations and its interest in Starnet Corp.

Ford's chairman, Donald E. Petersen, said that "despite slightly lower volumes compared with a year ago, Ford continued to improve its underlying profitability."

The company said it had benefited from manufacturing efficiencies and lower marketing costs.

Earnings of Ford's U.S. operations alone declined by \$14 million to \$393 million for the quarter. But outside the United States, Ford earned \$110 million, compared with \$86 million a year ago.

At the end of the third quarter, Ford had more than \$9.14 billion in cash and marketable securities, up from nearly \$8.6 billion a year ago. For the first nine months of

1987, Ford's net profit had risen 4.3 percent to \$171 million. Earnings per share rose to 85 cents from 82 cents. Revenue was slightly lower at \$2.52 billion, compared with \$2.55 billion.

(UPI, Reuters)

Utilities' High Dividends Shining a Little Light in Market's General Gloom

By Phillip H. Wiggins

New York Times Service

NEW YORK — Although the stock market plunge has lowered prices across the board, it has made the dividends paid on some stocks look attractive in comparison with government securities, money market funds and bank instruments.

And because of their lower prices, more shares with a greater dividend yield can be purchased for a given amount of money. As a result, a number of analysts are recommending high-dividend stocks, including many utilities.

They note, however, that there is a risk of holding even high-yielding equities in a turbulent market.

"In general, utility stocks are exceptionally good plays that not only have current dividend income but also have the potential for additional dividend growth and capital appreciation," said Richard Schmidt, director of research for Advent Inc. in Hartford.

His top 10 utilities with high dividends, all listed on the New York Stock Exchange, have annual dividend yields of as high as 8.2 percent.

They are Allegheny Power, 7.8 percent; Baltimore Gas & Electric, 6.2 percent; Delmarva Power & Electric, 7.3 percent; Dominion Resources, 7.1 percent; MDU Resources Group, 7.8 percent; Midwest Energy, 8.2 percent; Minnesota Power & Light, 6.9 percent; Oklahoma Gas & Electric, 7.1 percent; Pacificorp, 7.9 percent, and Wisconsin Energy, 5.7 percent.

Harold A. Mackinnon, chairman of the investment policy committee of Fleet Financial Group in Providence, Rhode Island, said of Allegheny Power: "In the first year of the last market recession, Allegheny had an excellent performance, advancing 25 percent, while the market declined by 17 percent."

Other high-yield stocks he mentioned are General Motors and Louisville Gas & Electric.

"GM historically trades between 60 and 180 basis points below the 30-year Treasury bond, which currently yields 9.15 percent," Mr. Mackinnon said Friday. "This makes GM a bond substitute with a buy support level of \$58 and 8.6 percent yield and a sell target of \$68 and a yield of 7.35 percent." A basis point is one-hundredth of a percentage point.

Louisville Gas & Electric, which closed Friday at \$33 a share, "has fallen only 7 percent since the Aug. 25 market high," he said, "and is attractive, selling at the current yield of 8 percent."

Elliott L. Schlang, an analyst at Prescott, Ball & Turben Inc. in Cleveland, cites Newell Co.'s \$2.08 convertible preferred dividend. Newell preferred, which sold at \$34.50 a share early in September, currently trades at \$27.25 on the New York Stock Exchange. The stock pays an annual dividend rate of 7.8 percent, Mr. Schlang said.

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TUESDAY, OCTOBER 27, 1987

ECONOMIC SCENE

Warnings Were There, But History Was Ignored

By HENRY KAUFMAN
New York Times Service

Henry Kaufman is managing director at Salomon Brothers Inc.

NEW YORK — The historic drop in the stock market was the result of the bearing down of a series of fundamental forces, a variety of structural vulnerabilities and the failure of market participants either to learn from or remember the lessons of history.

During the euphoria of the market's rise, the warnings of low dividends and earnings yields on stocks were ignored. It was assumed that yields would rise along with the large increases anticipated in corporate earnings.

Several developments had cast a shadow over these expectations, especially since the late summer. One was increasing evidence that consumer prices were on a rising trajectory of about 5 percent for 1987.

Inflationary expectations were further heightened by the apparent stalemate between Congress and the Reagan administration in reducing the U.S. budget deficit. Even if the budget cuts mandated by the Gramm-Rudman legislation prevail, the deficit is likely to rise to between \$160 billion and \$165 billion from about \$150 billion in the fiscal year that ended Sept. 30.

It also became evident that higher interest rates were likely as a result of the U.S. budget and trade deficits. The trade deficit could be reduced either by stronger exports or weaker imports. But this would intensify the demand pressures that are already surfacing in many of the U.S. manufacturing industries.

Stronger exports would add to the demand for domestically produced American goods. Weaker imports would shift demand from goods produced abroad to domestically produced goods. These inflationary pressures could only be offset if there were a slowdown in domestic demand.

Protectionist measures to reduce imports at a time when the U.S. economy is operating near full employment also would pose inflation risks. In addition, under current circumstances, a further decline in the value of the dollar would lessen the willingness of foreign investors to hold dollar obligations. This would further add to inflationary expectations.

THE STOCK MARKET at first ignored these disturbing developments, but the bond market did not. Long-term Treasury bond yields rose through 10 percent, and before the stock markets crashed, bond yields had risen over 35 percent from the lows reached earlier this year.

The combination of dollar instability and 10 percent-plus yields on government bonds, compared with the previously noted low earnings yield on common stocks, unmasked a number of weak features in the equity market and contributed to its demise. The earlier strengths in the stock market became its weaknesses.

For example:

- Higher interest rates quickly raised the probability that there would be an end to the sharp contraction in shares outstanding of common stock that has been largely the result of mergers, consolidations and leveraged buyouts.

These restructurings had taken more than \$100 billion in equity out of the market in each of the past three years, shrinking the supply of common stock. A comparable withdrawal was shaping for this year, and it seemed not to matter to the stock market that this removal was largely accomplished through the substitution of debt for equity.

The risks that these corporate restructurings would involve was not a concern for a market that was being driven by a focus on high near-term performance. The immediate rewards from the

See SCENE, Page 15

The stock market
at first ignored these
disturbing
developments.

New Curbs on Program Trades Almost Inevitable

Computers Sped Market's Plunge, Critics Assert

By David E. Sanger
New York Times Service

NEW YORK — A week of tumult seems to have done what two years of heated debate in Congress and the securities industry did not: It has created a consensus that new curbs on the computerized trading of stocks and futures, done in staggering amounts at blinding speeds, are now all but inevitable.

Even those who strenuously oppose restrictions agree that they are on the way. Most likely, they will come from the stock exchanges and member firms, galvanized by rising public criticism of a cluster of computer-assisted techniques that are loosely referred to as "program trading." But if they fail to act, government regulators or perhaps Congress itself are poised to intervene.

The exchanges are already moving. In three separate actions last week, the New York Stock Exchange and the Chicago Mercantile Exchange invoked emergency measures that, together, have taken computers out of many investment strategies used by some of Wall Street's most sophisticated traders.

"There is no question that program trading is going to be put under a microscope, and I think it's certain there will be changes," said Robert J. Birnbaum, the NYSE's president and chief operating officer. "At this point, it's inevitable."

Representative Edward J. Markey, a Democrat of Massachusetts, who plans hearings this week on the market's drop, said, "I don't see how some restrictions are avoidable."

Critics of computer-based trading do not contend that new technology started last week's selling spree. But they assert that the unpredictable interplay of two different computer-trading strategies appears to have greatly sped the pace at which the stock market in New York and futures markets in Chicago fell wildly out of line with each other.

The two computer-based strategies, known on Wall Street as "portfolio insurance" and "stock-index arbitrage," seem to have interacted in ways that no one ever expected, and at a pace no one could keep up with.

While it is too early to say for sure, some market experts believe that, in the chaos of last week, computer-assisted techniques that were invented to reduce risk actually created more.

How that happened is still something of a mystery, one that academics and Wall Street professionals will be sorting out for months, if not years. But if computers themselves are not the cause, the reasons may lie in what computers have made possible: simultaneous and coordinated trading in two distinct but related markets. One is the traditional stock market, in New York. The other is the relatively new financial futures markets, dominated by Chicago.



The Technology of the Exchange

Many of the New York Stock Exchange's small orders are routed through a network of powerful computers. This network handles tens of thousands of such transactions each day.

Investor

Broker

Common Message System

This is the first step through the exchange. Electronic switchboard takes messages from brokers and translates them into trading language. Also returns information from exchange's computer systems to brokers. Depending on type of orders placed by brokers, this system distributes them to:

- System 1: Handles most orders during trading day and all those placed outside trading hours.
- System 2: Handles limit orders from brokers to buy or sell stock within a certain price.
- System 3: Handles odd-lot transactions, which are purchases or sales of less than 100 shares.

Universal Floor Device Control

This electronic switchboard converts orders into language understood by equipment on trading floor and passes it to:

THE TRADING FLOOR

When trade is completed, a card is dropped into a reader that scans it and enters data into reporting system. Video displays show prices, outstanding orders and other information affecting the market. Data travel back to brokers through exchange's computer system.

Market data systems

Updated stock quotes are released to ticker, to wire services and other information centers.

Hectic trading on the New York Stock Exchange. Computer-based strategies seem to have interacted last week in ways that no one expected, and at a pace no one could keep up with.

In essence, the two markets buy and sell the same thing in different forms. The futures markets trade what amounts to "baskets" of stocks. One popular contract is tied to Standard & Poor's 500-stock index.

Ideally, the price of those baskets will closely track the aggregate price of all the stocks that make up the basket. But in practice the price of the baskets tends to reflect the stock market's overall prospects. While individual stocks may rise and fall on news about the company.

Those price differentials provide an opportunity for "arbitrage" in its classic sense. Traders will buy whichever version is less expensive — the collection of stocks or the matching "basket" of futures — and simultaneously sell the more expensive.

The technique is hardly new. But computers have allowed brokerage houses to turn it into a big money-maker.

The machines, artfully programmed, can monitor minute changes in the two markets, in search of "spreads," or price differentials, between the two. And they can instantly execute a giant series of trades, often involving millions of shares, at speeds nearly impossible to accomplish by hand or by the telephone to the floor of the exchange.

Not surprisingly, brokers argue that it makes little sense to restrict techniques that would raise few questions if computers were not involved.

"We are talking about passive techniques that only respond to market conditions, not create them," said Louis Margolis, a managing director at Salomon Brothers. If anything, Mr. Margolis asserted, computers have tightened the links between the two markets, assuring that when

one moves, the other moves with it.

Until last week, the Securities and Exchange Commission and the stock markets largely agreed. Computer-based trading techniques accelerate the market's ups and downs, SEC and exchange experts said, for example, by adding more "sell" orders to a declining market. But there was little evidence, they said, that

those markets had grown significantly more volatile.

"After this past week," one NYSE official said ruefully, "we can take our past studies and toss them."

The starting point for new studies will be newly released statistics about the role of computer-based trading, both stock-index arbitrage and portfolio insurance. See PROGRAM, Page 15

Spending Falls 0.5% in U.S.

Compiled by Our Staff From Dispatches

WASHINGTON — Americans' personal incomes climbed 0.7 percent in September from August, the biggest monthly improvement since February, but consumer spending had its first setback since January, the government said Monday.

The Commerce Department said personal spending dropped by 0.5 percent last month, the first decline since plunging 1.6 percent in January. Spending rose a revised 1.7 percent in August. The August increase was originally reported at 1.5 percent.

The spending figure bodes badly for U.S. economic growth. Many economists are predicting that one major outcome of the stock market crisis will be that Americans, their confidence shaken, will scale back dramatically on buying, especially of large items such as cars, appliances and houses.

The slowdown apparently began earlier than expected. Since consumer spending accounts for two-thirds of overall economic activity, a cutback in this area — if it lasted for several months — could topple the country into a recession.

President Ronald Reagan said last week that he saw no signs of a recession and that only a dramatic slowdown in consumer spending could push the nation's economy into one.

On Monday, Beryl W. Sprinkel, chairman of Mr. Reagan's Council of Economic Advisors, conceded before the release of the figures that consumer spending might slow because of market losses but added that he, too, was "not concerned about a recession."

"But when you lose a half trillion dollars in the market place, this is likely to encourage consumers to spend at a smaller clip," Mr. Sprinkel said on a television news program. "Also it might have some effects on capital spending."

"The important thing is that we continue to provide incentives to move forward."

Last month's slowdown in spending came largely from lower car sales compared with August's high levels. In August, car makers had offered incentive programs to help cut big inventories.

Spending for autos and other durable goods, which are expected to last at least three years, shot up at an annual rate of \$30.3 billion in August but fell at an annual rate of \$14.1 billion in September.

Spending for nondurable goods fell by \$4.2 billion in September after an August increase of \$7.3 billion.

Purchases of services, including housing costs, increased \$2.3 billion after a \$14.3 billion rise in August.

The 0.7 percent rise in Americans' incomes followed a 0.6 percent increase in August and was the largest gain since a 1.1 percent jump in February. The August rise had originally been reported at 0.5 percent.

Wages and salaries increased \$13.4 billion, compared with a \$19.3 billion rise in August.

Disposable, or after-tax, income rose 0.7 percent in September, compared with 0.5 percent in August. This was the biggest increase in after-tax income since a 1.4 percent advance in February.

(AP, Reuters)

U.S. Tool Orders Rebound

By Jonathan P. Hicks
New York Times Service

NEW YORK — Orders for U.S.-made machine tools rebounded in September, rising 39 percent from the previous month's level, the National Machine Tool Builders Association reported Monday.

Orders for September rose to \$183.1 million, from \$142 million for August. That was also 35 percent higher than the \$135.2 million of orders in September 1986.

In August, orders had fallen 12.7 percent from July's level.

Analysis said orders for machine tools typically increase in the autumn, but contended that the rise from last year's levels indicated growth in demand.

for the association, said it was unclear whether last week's plunge in stock prices would affect the machine-tool industry. Some analysts suggested that the plunge could lead many purchasers of machine tools to curb capital spending.

Machine tools are power-driven devices used to cut or shape metal parts. Their sales are viewed as an indication of capital spending by producers of metal products, such as the automobile, aerospace and general manufacturing industries.

James A. Gray, president of the association, said orders had been bolstered by a 10 percent increase in exports this year. The weak dollar has reduced imports and made U.S. manufacturers more competitive overseas, he said.

Charles Pollack, a spokesman

GT STOCK FUND GT WORLD FUND

2, Boulevard Royal, 2953 LUXEMBOURG.

NOTICE TO UNTHOLDERS

The directors of GT Stock Fund S.A. and of GT World Management S.A. have resolved that the suspension of subscriptions and redemptions with effect from 20th October 1987 previously announced shall be cancelled. Consequently subscriptions and redemptions requests made to the fund since 20th October 1987 will be dealt with on 23rd October 1987 at the price per share calculated that day and requests received from the commencement of business on 23rd October 1987 will be dealt with in the normal manner.

By order of the Board of Directors
of GT Stock Fund S.A. and
of GT World Management S.A.

Currency Rates

Currency	Per \$	Per £	Per 100	Per 100	Per 100	Per 100
Australian dollar	1.58	1.58	1.58	1.58	1.58	1.58
Belgian franc	36.75	36.75	36.75	36.75	36.75	36.75
Canadian dollar	1.29	1.29	1.29	1.29	1.29	1.29
Dutch guilder	2.36	2.36	2.36	2.36	2.36	2.36
French franc	6.55	6.55	6.55	6.55	6.55	6.55
German mark	2.36	2.36	2.36	2.36	2.36	2.36
Italian lira	1.36	1.36	1.36	1.36	1.36	1.36
Japanese yen	163.80	163.80	163.80	163.80	163.80	163.80
Swiss franc	2.00	2.00	2.00	2.00	2.00	2.00
U.S. dollar	1.00	1.00	1.00	1.00	1.00	1.00

Spreads in London, Tokyo and Zurich, futures in other centers. New York closing rates. Commercial rates; b: To buy one pound; c: To buy one dollar; *: Units of 100; N.A.: Not available.

Currency	Per \$	Per £	Per 100	Per 100	Per 100	Per 100
Australian dollar	1.58	1.58	1.58	1.58	1.58	1.58
Belgian franc	36.75	36.75	36.75	36.75	36.75	36.75
Canadian dollar	1.29	1.29	1.29	1.29	1.29	1.29
Dutch guilder	2.36	2.36	2.36	2.36	2.36	2.36
French franc	6.55	6.55	6.55	6.55	6.55	6.55
German mark	2.36	2.36	2.36	2.36	2.36	2.36
Italian lira	1.36	1.36	1.36	1.36	1.36	1.36
Japanese yen	163.80	163.80	163.80	163.80	163.80	163.80
Swiss franc	2.00	2.00	2.00	2.00	2.00	2.00
U.S. dollar	1.00	1.00	1.00	1.00	1.00	1.00

Forward Rates

Currency	30-day	60-day	90-day	120-day	150-day	180-day
Australian dollar	1.58	1.58	1.58	1.58	1.58	1.58
Belgian franc	36.75	36.75	36.75	36.75	36.75	36.75
Canadian dollar	1.29	1.29	1.29	1.29	1.29	1.29
Dutch guilder	2.36	2.36	2.36	2.36	2.36	2.36
French franc	6.55	6.55	6.55	6.55	6.55	6.55
German mark	2.36	2.36	2.36	2.36	2.36	2.36
Italian lira	1.36	1.36	1.36	1.36	1.36	1.36
Japanese yen	163.80	163.80	163.80	163.80	163.80	163.80
Swiss franc	2.00	2.00	2.00	2.00	2.00	2.00
U.S. dollar	1.00	1.00	1.00	1.00	1.00	1.00

Source: Interbank Bank (Brussels); Banca Commerciale Italiana (Milan); Banca Nazionale del Lavoro (Rome); Bank of Tokyo (Tokyo); IMF (SOE); BAH (Amsterdam); Societe Generale (Paris). Other data from Reuters and AP.

Interest Rates

Currency	Rate	Rate	Rate	Rate	Rate	Rate
Australian dollar	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Belgian franc	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Canadian dollar	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Dutch guilder	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
French franc	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
German mark	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Italian lira	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Japanese yen	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Swiss franc	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
U.S. dollar	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%

Source: Morgan Guaranty (dollar, DM, SF, Pound, FF); Liberty Bank (ECU); Reuters (yen). Rates available to intermediaries at 51 million minimum (for yen).

Money Rates

Currency	Rate	Rate	Rate	Rate	Rate	Rate
Australian dollar	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Belgian franc	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Canadian dollar	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Dutch guilder	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
French franc	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
German mark	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Italian lira	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Japanese yen	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Swiss franc	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
U.S. dollar	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%

Source: Reuters

U.S. Money Market Funds

Fund	Assets	Assets	Assets	Assets	Assets	Assets
Mutual Shares	4.97	4.97	4.97	4.97	4.97	4.97
30-day average yield	4.97	4.97	4.97	4.97	4.97	4.97
Source: Merrill Lynch, Pierce, Fenner & Smith						

Source: Merrill Lynch, Pierce, Fenner & Smith

Gold

Currency	Rate	Rate	Rate	Rate	Rate	Rate
Australian dollar	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Belgian franc	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Canadian dollar	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Dutch guilder	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
French franc	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
German mark	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Italian lira	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Japanese yen	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Swiss franc	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
U.S. dollar	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%

Source: Reuters

U.S. Money Market Funds

Fund	Assets	Assets	Assets	Assets	Assets	Assets
Mutual Shares	4.97	4.97	4.97	4.97	4.97	4.97
30-day average yield	4.97	4.97	4.97	4.97	4.97	4.97
Source: Merrill Lynch, Pierce, Fenner & Smith						

Source: Merrill Lynch, Pierce, Fenner & Smith

Gold

North Interbank	4.80	4.90
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By: The Chase Manhattan Bank, N.A.
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PROGRAM: Curbs on Computer Trades Seem Certain

(Continued from first finance page)
 in Oct. 19's historic 508-point fall. The Chicago Mercantile Exchange estimated that "less than 20,000" of the 160,000 Standard & Poor's 500-index futures that changed hands last Monday, the day of the stock market's 508-point drop, were linked to computer-generated trades. The NYSE estimated that about 20 percent of its 600,000 transactions that day involved such trading, a bit higher than the figure for a normal day.

What the statistics do not show is the timing of those trades, which can be crucial in touching off a cascade of sales. In part, that is because each computer is programmed with a "threshold" set of prices, which kicks the program trade into action. But in part, it is because another computer technique, "portfolio insurance," intended to help limit an investor's risk, can interact in unexpected ways with the arbitrage programs.

Portfolio "insurance," a misnomer, is actually a hedging strategy that calls for investors to sell stock-index futures in a falling market.

Losses in the stocks themselves are offset, at least in part, by gains in the sale of the future. If the market continues to fall, the investor can buy back the future and close out his position at a profit. Selling futures pushes down their

price. And a wave of selling can enlarge the disparity between the price of the future and the prices of the individual stocks that in the aggregate make up the "basket." At that point, arbitrageurs enter the action, buying the underpriced future and selling the actual stocks that make up the basket.

Selling those stocks, however,

'We can take our past studies on computer-based trading techniques, and toss them.'

—an official of the NYSE

pushes the stock market down further, prompting the portfolio insurers to sell still more futures and starting the cycle all over again.

Usually, the cycle corrects itself because there are a number of buyers and sellers in the market. But last week Monday, and again on Thursday morning, there were almost no buyers on the futures market in Chicago. Disparities between the markets became enormous. The result was that portfolio insurance,

designed under the assumption that some buyers would be available, failed.

For their part, the stock-index arbitrageurs say they have been blamed unfairly for last week's fall. They deny even participating in the market. For much of the time, they say, chaos in the markets made program trading impossible.

At times last week, huge spreads opened between bid and asked prices. Market information fell minutes or hours behind. On Tuesday, trading was halted in numerous stocks, making it impossible to compute a value for the basket that included them. Traders could not know whether price "spreads" would still exist by the time they executed trades.

Other arbitrageurs argue that stocks also fell in Tokyo and London, where there is no equivalent of the Chicago futures market.

But the statistics show that some program trading was taking place on Monday. NYSE officials say that once the sequence of events last Monday is unraveled, program trading will prove to have given the market a downward push, just as it gave it an upward push months before. And that, they believe, will lead to some form of regulation.

Whatever the investigations turn up, a growing number of traders consider it a political reality that some curbs will be imposed. In the minds of the public, they say, program trading conjures up images—albeit inaccurate, they insist—of a market guided by computers instead of the people who program them. It is a market in which small investors appear to be technologically overwhelmed.

The nature of likely curbs is harder to predict. Most likely, restrictions would limit the size or number of computer-assisted trades a broker could execute in a given day.

Market professionals say such a restriction would be far easier to police than the New York exchange's current "emergency" regulations, which prohibit computer-generated trades from being automatically "dumped" into the exchange's own computers and which prohibit brokerages from program trading for their own account.

It is still permissible, however, to design a client's trade on a computer and execute it by phone or by hand on the floor of the exchange.

The Chicago exchange's emergency measure, adopted after an S&P-500 contract dropped 60 points when the market opened Thursday, could become permanent, analysts say.

That restriction prohibits any contract from changing price by more than 30 points, or \$15,000, in one day's trading. Similar limits are common in commodity futures contracts.

SCENE: Warnings Were There

(Continued from first finance page)
 decapitalization of corporations was the dominant concern until the rise in interest rates challenged the restructuring process.

Concern about the stability of the dollar also brought into question whether the voraciousness of foreign appetites for American equities would continue. Last year and so far in 1987, foreigners were second only to mutual funds in net purchases of common stock.

In the 18 months to mid-1987, foreigners bought a net estimated \$35 billion. The mutual funds had become the dominant domestic buyers of equities during this period by taking down \$40 billion in shares.

As buyers, both foreigners and mutual funds had certain volatile characteristics. Foreigners responded quickly to interest-rate differentials and inflation developments in world financial markets. Many investors in mutual funds have become highly sensitized to domestic market changes.

Some investors regard mutual fund shares not as long-term investment vehicles, but as liquid investments having the potential for a higher rate of return. That ignores the downside risks.

Corporate stock retirements and foreign and mutual fund stock buying contrast with the more stable investor groups that dominated the equity market a decade ago. Then, private and public pension funds, with their steady inflow of funds and their conservative long-

term investment behavior, were dominant.

The rapid growth of stock options and futures also contributed to the market's unstable structure. The daily average volume of trading in stock index futures and options rose from about \$11 billion in 1984 to \$35 billion during the past three months. So far this year, through early October, the volume of stock futures trading reached \$2.9 trillion, compared with \$1.9 trillion in actual stock transactions.

Many of these transactions in options and futures were designed to limit risk, as in the case of portfolio insurance transactions. But even here, as in program trading, the volatility of the market was severely exacerbated.

The new decision-makers in the financial markets are exceedingly skilled in analysis. They are ambitious and they are willing to take risks, but unfortunately their entrepreneurial drive has not been tempered by the lessons of history.

We should not be surprised that this is so. There are few schools of business in the United States that teach financial history. How can we remember the lessons of history if we have not been taught them?

Amstrad to Sell Portable

Reviews
 LONDON—Amstrad PLC said Monday that it will begin selling its first portable computer Wednesday. A company spokesman said the new computer will challenge existing leaders in the field.

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NOW INVESTING IN BRITAIN IS AS EASY AS RBC



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Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.
Via The Associated Press

[illegible][illegible][illegible][illegible]

Month	High	Low	Stock	Div.	Yld.	P/E	Stk.	High	Low	Close	Open
2071	37	12	41	15	17	18	17	18	17	18	17
2072	37	12	41	15	17	18	17	18	17	18	17
2073	37	12	41	15	17	18	17	18	17	18	17
2074	37	12	41	15	17	18	17	18	17	18	17
2075	37	12	41	15	17	18	17	18	17	18	17
2076	37	12	41	15	17	18	17	18	17	18	17
2077	37	12	41	15	17	18	17	18	17	18	17
2078	37	12	41	15	17	18	17	18	17	18	17
2079	37	12	41	15	17	18	17	18	17	18	17
2080	37	12	41	15	17	18	17	18	17	18	17
2081	37	12	41	15	17	18	17	18	17	18	17
2082	37	12	41	15	17	18	17	18	17	18	17
2083	37	12	41	15	17	18	17	18	17	18	17
2084	37	12	41	15	17	18	17	18	17	18	17
2085	37	12	41	15	17	18	17	18	17	18	17
2086	37	12	41	15	17	18	17	18	17	18	17
2087	37	12	41	15	17	18	17	18	17	18	17
2088	37	12	41	15	17	18	17	18	17	18	17
2089	37	12	41	15	17	18	17	18	17	18	17
2090	37	12	41	15	17	18	17	18	17	18	17
2091	37	12	41	15	17	18	17	18	17	18	17
2092	37	12	41	15	17	18	17	18	17	18	17
2093	37	12	41	15	17	18	17	18	17	18	17
2094	37	12	41	15	17	18	17	18	17	18	17
2095	37	12	41	15	17	18	17	18	17	18	17
2096	37	12	41	15	17	18	17	18	17	18	17
2097	37	12	41	15	17	18	17	18	17	18	17
2098	37	12	41	15	17	18	17	18	17	18	17
2099	37	12	41	15	17	18	17	18	17	18	17
2100	37	12	41	15	17	18	17	18	17	18	17
2101	37	12	41	15	17	18	17	18	17	18	17
2102	37	12	41	15	17	18	17	18	17	18	17
2103	37	12	41	15	17	18	17	18	17	18	17
2104	37	12	41	15	17	18	17	18	17	18	17
2105	37	12	41	15	17	18	17	18	17	18	17
2106	37	12	41	15	17	18	17	18	17	18	17
2107	37	12	41	15	17	18	17	18	17	18	17
2108	37	12	41	15	17	18	17	18	17	18	17
2109	37	12	41	15	17	18	17	18	17	18	17
2110	37	12	41	15	17	18	17	18	17	18	17
2111	37	12	41	15	17	18	17	18	17	18	17
2112	37	12	41	15	17	18	17	18	17	18	17
2113	37	12	41	15	17	18	17	18	17	18	17
2114	37	12	41	15	17	18	17	18	17	18	17

Month	High	Low	Stock	Div	Yld	P/E	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	2047-48	2048-49	2049-50	2050-51	2051-52	2052-53	2053-54	2054-55	2055-56	2056-57	2057-58	2058-59	2059-60	2060-61	2061-62	2062-63	2063-64	2064-65	2065-66	2066-67	2067-68	2068-69	2069-70	2070-71	2071-72	2072-73	2073-74	2074-75	2075-76	2076-77	2077-78	2078-79	2079-80	2080-81	2081-82	2082-83	2083-84	2084-85	2085-86	2086-87	2087-88	2088-89	2089-90	2090-91	2091-92	2092-93	2093-94	2094-95	2095-96	2096-97	2097-98	2098-99	2099-00	2100-01	2101-02	2102-03	2103-04	2104-05	2105-06	2106-07	2107-08	2108-09	2109-10	2110-11	2111-12	2112-13	2113-14	2114-15	2115-16	2116-17	2117-18	2118-19	2119-20	2120-21	2121-22	2122-23	2123-24	2124-25	2125-26	2126-27	2127-28	2128-29	2129-30	2130-31	2131-32	2132-33	2133-34	2134-35	2135-36	2136-37	2137-38	2138-39	2139-40	2140-41	2141-42	2142-43	2143-44	2144-45	2145-46	2146-47	2147-48	2148-49	2149-50	2150-51	2151-52	2152-53	2153-54	2154-55	2155-56	2156-57	2157-58	2158-59	2159-60	2160-61	2161-62	2162-63	2163-64	2164-65	2165-66	2166-67	2167-68	2168-69	2169-70	2170-71	2171-72	2172-73	2173-74	2174-75	2175-76	2176-77	2177-78	2178-79	2179-80	2180-81	2181-82	2182-83	2183-84	2184-85	2185-86	2186-87	2187-88	2188-89	2189-90	2190-91	2191-92	2192-93	2193-94	2194-95	2195-96	2196-97	2197-98	2198-99	2199-00	2200-01	2201-02	2202-03	2203-04	2204-05	2205-06	2206-07	2207-08	2208-09	2209-10	2210-11	2211-12	2212-13	2213-14	2214-15	2215-16	2216-17	2217-18	2218-19	2219-20	2220-21	2221-22	2222-23	2223-24	2224-25	2225-26	2226-27	2227-28	2228-29	2229-30	2230-31	2231-32	2232-33	2233-34	2234-35	2235-36	2236-37	2237-38	2238-39	2239-40	2240-41	2241-42	2242-43	2243-44	2244-45	2245-46	2246-47	2247-48	2248-49	2249-50	2250-51	2251-52	2252-53	2253-54	2254-55	2255-56	2256-57	2257-58	2258-59	2259-60	2260-61	2261-62	2262-63	2263-64	2264-65	2265-66	2266-67	2267-68	2268-69	2269-70	2270-71	2271-72	2272-73	2273-74	2274-75	2275-76	2276-77	2277-78	2278-79	2279-80	2280-81	2281-82	2282-83	2283-84	2284-85	2285-86	2286-87	2287-88	2288-89	2289-90	2290-91	2291-92	2292-93	2293-94	2294-95	2295-96	2296-97	2297-98	2298-99	2299-00	2300-01	2301-02	2302-03	2303-04	2304-05	2305-06	2306-07	2307-08	2308-09	2309-10	2310-11	2311-12	2312-13	2313-14	2314-15	2315-16	2316-17	2317-18	2318-19	2319-20	2320-21	2321-22	2322-23	2323-24	2324-25	2325-26	2326-27	2327-28	2328-29	2329-30	2330-31	2331-32	2332-33	2333-34	2334-35	2335-36	2336-37	2337-38	2338-39	2339-40	2340-41	2341-42	2342-43	2343-44	2344-45	2345-46	2346-47	2347-48	2348-49	2349-50	2350-51	2351-52	2352-53	2353-54	2354-55	2355-56	2356-57	2357-58	2358-59	2359-60	2360-61	2361-62	2362-63	2363-64	2364-65	2365-66	2366-67	2367-68	2368-69	2369-70	2370-71	2371-72	2372-73	2373-74	2374-75	2375-76	2376-77	2377-78	2378-79	2379-80	2380-81	2381-82	2382-83	2383-84	2384-85	2385-86	2386-87	2387-88	2388-89	2389-90	2390-91	2391-92	2392-93	2393-94	2394-95	2395-96	2396-97	2397-98	2398-99	2399-00	2400-01	2401-02	2402-03	2403-04	2404-05	2405-06	2406-07	2407-08	2408-09	2409-10	2410-11	2411-12	2412-13	2413-14	2414-15	2415-16	2416-17	2417-18	2418-19	2419-20	2420-21	2421-22	2422-23	2423-24	2424-25	2425-26	2426-27	2427-28	2428-29	2429-30	2430-31	2431-32	2432-33	2433-34	2434-35	2435-36	2436-37	2437-38	2438-39	2439-40	2440-41	2441-42	2442-43	2443-44	2444-45	2445-46	2446-47	2447-48	2448-49	2449-50	2450-51	2451-52	2452-53	2453-54	2454-55	2455-56	2456-57	2457-58	2458-59	2459-60	2460-61	2461-62	2462-63	2463-64	2464-65	2465-66	2466-67	2467-68	2468-69	2469-70	2470-71	2471-72	2472-73	2473-74	2474-75	2475-76	2476-77	2477-78	2478-79	2479-80	2480-81	2481-82	2482-83	2483-84	2484-85	2485-86	2486-87	2487-88	2488-89	2489-90	2490-91	2491-92	2492-93	2493-94	2494-95	2495-96	2496-97	2497-98	2498-99	2499-00	2500-01	2501-02	2502-03	2503-04	2504-05	2505-06	2506-07	2507-08	2508-09	2509-10	2510-11	2511-12	2512-13	2513-14	2514-15	2515-16	2516-17	2517-18	2518-19	2519-20	2520-21	2521-22	2522-23	2523-24	2524-25	2525-26	2526-27	2527-28	2528-29	2529-30	2530-31	2531-32	2532-33	2533-34	2534-35	2535-36	2536-37	2537-38	2538-39	2539-40	2540-41	2541-42	2542-43	2543-44	2544-45	2545-46	2546-47	2547-48	2548-49	2549-50	2550-51	2551-52	2552-53	2553-54	2554-55	2555-56	2556-57	2557-58	2558-59	2559-60	2560-61	2561-62	2562-63	2563-64	2564-65	2565-66	2566-67	2567-68	2568-69	2569-70	2570-71	2571-72	2572-73	2573-74	2574-75	2575-76	2576-77	2577-78	2578-79	2579-80	2580-81	2581-82	2582-83	2583-84	2584-85	2585-86	2586-87	2587-88	2588-89	2589-90	2590-91	2591-92	2592-93	2593-94	2594-95	2595-96	2596-97	2597-98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A leading economist recently recommended selling dollar-denominated financial instruments and buying West German bonds at a time when Indigo was buying plunging U.S. T-Bond futures and shorting and shorting the Deutschmark. Somebody has to be doing it right and the Indigo track record indicates it may be the economist. Write, phone or telex for complementary coverage.


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MARKETS TAKE NEW PLUNGE: Hong Kong Is Badly Hit; the U.S. Dollar Tumbles

HONG KONG: Shares Plummet

(Continued from Page 1)

forced many to sell into the falling market. But most reported that redemption activity was modest.

On the futures exchange, October contracts based on the Hang Seng index put the market barometer at 1,975, down 1,554 points for the day, a discount of 266 points against the cash market. That compares with a premium of 200 to 300 points above the index before the markets closed last week.

Trading was suspended in the November and December contracts after prices fell by their maximum daily limit of 150 points, news services reported.

Introduced just last year, the Hang Seng stock-index contract is the second most actively traded in the world behind the contract based on the Standard & Poor's 500-stock index.

A trader who bought a single Hang Seng futures contract on Monday last week for a minimum deposit of 15,000 Hong Kong dollars faces margin calls to cover 71,000 dollars in potential losses. Late in the session, Securities Commissioner Ray Astin said that the government had decided to suspend takeover rules to allow companies to buy their own stock beyond the level that would normally require a bid for all outstanding shares. Li Ka-shing, the local prop-

erty magnate, was among those who pressured the government for the change.

Mr. Li announced Monday that he was prepared to spend 1 billion Hong Kong dollars to support the shares of his companies, which include such major corporations as Cheung Kong (Holdings), Hongkong Electric and Hutchison Whampoa.

Buyback programs could help the market stabilize later in the week, analysts said. As elsewhere, however, few analysts were willing to say where the market would find support in an environment of panic selling.

"There's a lot more selling that simply didn't go through today," said Timothy Moe, a manager at Jardine Fleming (Securities) Ltd. "It seems clear that there are many investors who want out and are willing to sell at any price."

Among the worst hit were Swire Pacific, which fell 9.7 Hong Kong dollars, to 14.20, and Sun Hung Kai Properties, down 6.75 to 9.85. Hongkong & Shanghai Bank ended at 7.40, off 2 Hong Kong dollars, closing at 7.30 Hong Kong dollars.

Protection Increased

The Hong Kong stock exchange will raise the amount it will reimburse members to as much as 2 million Hong Kong dollars per cus-



Hong Kong residents getting news of the exchange opening from a screen in a bank window.

tomer default, from a maximum of 500,000 dollars, the exchange chairman, Ronald Li, said Monday.

He said the increase would be financed by an additional payment of 30,000 dollars to the exchange's guarantee fund by each of the 1,000 members, Reuters reported. But he said only a handful of members were now having financial problems and the amounts involved in

each case were between 2 million and 3 million dollars.

He also announced that the exchange would shorten its trading time by one hour for the remainder of this week, as it did Monday. The exchange will conduct a collective delivery system at the trading hall from time to time to clear the backlog of transactions, Mr. Li said. He added the exchange had employed a senior executive to set

up a central clearing system for shares.

Mr. Li said the exchange made the decision to suspend trading last week partly because there was no centralized clearing system.

The Hong Kong banking commissioner, Tony Nicolle, on Monday called on banks in the colony to take a "constructive approach" to borrowers who had used loans to buy shares.

DOLLAR: Weakness Unleashes Steep Decline in Stocks

(Continued from Page 1)

Otto Pohl, was to revise downward the reference ranges set for the dollar against other major currencies in the Louvre Accord of February.

The dealers suggested that the United States wanted the dollar to fall to around 130 yen and 1.60 DM.

Economists, however, said such a decline seemed out of the question.

"I just don't believe it," said Gert Schmidt, an economist with Industriekreditbank in Düsseldorf. "If the dollar fell to 1.60 DM, it would be a terrible blow to West Germany's exports and thus the economy as a whole. And it wouldn't do anything to help the U.S. trade deficit."

The trade deficit, Mr. Schmidt said, is caused more by strong, insatiable demand for imports in the United States and structural problems in the nation's economy, where manufacturing capacity in some sectors has outstripped severely that export business is a faint hope and many companies that could export are unwilling to try to compete on a global scale.

"I'm highly skeptical," said Brendan Brown, an economist with County NatWest in London. "The dollar's outlook has deteriorated severely because of the market collapse, but I don't see the central

London Dollar Rates

Currency	Rate
Deutsche mark	1.625
Pound sterling	1.625
Japanese yen	142.48
Swiss franc	1.462
French franc	1.497

Source: Reuters

banks accepting a decline to 1.60 DM or 130 yen.

"That would be a major shock to the financial markets at a very vulnerable time. The threat of a currency war was enough to trigger the current collapse."

While the dollar's outlook is clouded, Mr. Brown said, there are two factors weighing in its favor.

"First, there may be the flight into quality, where investors worried about economic stability elsewhere put their money into U.S. assets such as Treasury bills," he said. "That may be an element, but as yet there is no sign of it."

The other factor, he said, "would be the Bundesbank at least seeing and pursuing an easier monetary policy by cutting rates, strengthening the German bond market."

"I also think France will begin to exert increasing pressure if the Bundesbank doesn't ease its stance," he said. "The French will not go on footing the West German

line of tight monetary policy if it is affecting their economy adversely."

A West German economist said that easing was possible but that the government was currently juggling some serious domestic economic problems, such as financing a tax-reform package, predictions of sharp growth in its own budget deficit in 1988 and a slowdown in the export economy.

These factors, combined with fear of inflation, which is more mental than real at the moment in West Germany, could severely limit the Bundesbank's options, he said.

In New York, the dollar closed at 142.50 yen, up from 141.775 on Friday; at 1.4655 Swiss francs, down from 1.4705, and at 5.9500 French francs, down from 5.9545.

The dollar was marginally higher against the British pound, which closed at \$1.6850, against \$1.6855 on Friday.

In London, the dollar closed at 142.50 yen, down only slightly from 142.45 on Friday; at 1.4635 Swiss francs, down from 1.4785, and at 5.9525 French francs, down from 5.9725.

The dollar was also lower against the pound, which closed at \$1.6875, against \$1.6753 on Friday.

Earlier in Europe, the dollar was fixed in Paris at 5.9180 French francs, down from 6.0385.

Monday's OTC Prices

NASDAQ prices as of 2 p.m. New York time.

Via The Associated Press

12 Month High Low Stock Div. Yld. Sales in 100s High Low 2 P.M. CHG

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ART BUCHWALD

Baby's Investment Advice

WASHINGTON — There are many young people who work in the stock market investing billions of dollars of other people's money. These young investment advisers have known only success, so Black Monday hit them very hard.

One I know personally is Baby Duckett, a blue-chip specialist who was handling the money of almost everyone in our neighborhood. On paper we were all millionaires and worshiped his investing know-how. Like most Wall Street advisers, Baby is 13 years old.



Buchwald

When the Slide for Life happened I rushed down to Baby's house to find out what was going on. His mother was standing on the lawn with other investors.

"He won't come out, he's crying," she said. "He has never lost money in the stock market before, and he says it's unfair."

"He lost our money," I yelled. "How does he explain that?"

"He thinks what took place is that more people sold stock on Monday than bought it. When this happens the Dow Jones usually goes down."

"It could be a reasonable explanation," I agreed with Baby's mother. "Why didn't he sell with the others?"

"Baby doesn't know how to sell. He only knows how to buy. For goodness' sake, you can't blame him for what the market did. He's only a child."

"Two weeks ago I was a *nouveau riche* — now I'm a *nouveau pauvre*. Baby has to answer for that."

The mother said, "Baby is taking this very hard. He told me he doesn't want to grow up in a world where people have a chance of losing money in the stock market."

"He can't say that now, but he's the one who took down the river with General Motors and IBM. Why did he pick those two dogs?"

"Baby never picked them," Mrs. Duckett said. "What he did was lay out the Wall Street Journal stock pages on the floor and let the cat walk over them."

"That's how he played the market!"

"That's how most people played it. For two years the cat couldn't do anything wrong."

"If I had known that I would have paid the cat for it. I said, 'I think Baby should come out.' She yelled up to the bedroom window. 'Baby, there are some people out from who want to see you.'"

Baby finally came out. His eyes were red and he was sniffling. "Tell the nice people you're sorry you lost their life savings, Baby," his mother said.

"I don't want to."

"Be a good boy. They can't do anything to you because you're a minor, and any investment counselor under 21 is not responsible for losing somebody's farm."

Baby said, "I'm sorry I lost your money, but now is the time to buy because there are a lot of bargains around and this is only a correction, and Rangan and Bullish and the German mark will never destroy the dollar, as long as J.P. Morgan is alive." He took a piece of chalk and started writing orders on the sidewalk.

His mother beamed. "The nice thing about investment advisers is they don't stay sad very long."

\$1.5 Million Paid For Titian Work

VENICE — A painting of Hannibal by the 16th-century Venetian painter Titian was sold Sunday for 2 billion lire (about \$1.53 million).

The Italian designer Umberto Giacomini bought "Guerriero" (Warrior), a portrayal of the Carthaginian general wearing a plumed helmet, at a sale held by the auction house Semauzo.

The oil painting on canvas was ordered by the Duke of Urbino, Francesco Maria della Rovere, in 1532, and was completed in 1535. After it was passed around among various noble families for about 150 years, all traces of the painting were lost until 1973 when the British art historian H.E. Wethey located it in the private collection of an unidentified American collector. It was believed to have been put up for auction by this collector.

A Poet on Matters 'of Life and Death'

By Elizabeth Kator

Washington Post Service

WASHINGTON — The United States' officially sanctioned poet has heard many times the jokes about the poet laureate having to write odes to the president's horse. He has ushered a photographer from People magazine into the Cummings, Massachusetts, house where he lives with his wife, and has been forced to flee a Library of Congress balcony when another photographer aroused the concern of the Capitol Police. And he has been asked and asked and asked about the state of poetry today.

The initiation process for Richard Wilbur is now complete. Wilbur began his tenure as the nation's second poet laureate with a lunch at the Library of Congress and an evening reading of his work. "There have been lots of letters from old schoolteachers and friends, that kind of thing. But what I'm really grateful for is not all the attention to me, but to poetry."

It is the sort of comment expected from any self-respecting laureate. In many ways Wilbur, who succeeded Robert Penn Warren, seems perfectly molded for that title. A supremely articulate man and an erudite writer, he speaks on behalf of poetry in a deep, casually aristocratic voice, and possesses many of the characteristics of a certain breed of poet native to college campuses: blue blazer, khaki pants, blue button-down shirt, a pipe to fiddle with, a dog at home that needs tending, easy conversation studded with quotes from Yeats and Pound; an Amherst degree, 20 years teaching at Wesleyan University, seven at Smith College, a resume studded with Guggenheim and Ford Foundation grants.

Then there are the attributes that place him in the subclass of poets who succeed on an unusual broad scale. Wilbur has a Pulitzer and a Bollingen prize, the National Book Award, a place in translation history for making Moliere and Racine widely accessible, a "little pad in Key West" and Broadway credentials from his work as the lyricist for Leonard Bernstein's "Candide."

Friends also offered the information that he plays a mean game of Ping-Pong and was "a real charmer in college."

Throughout the years of prizes and Ping-Pong, Wilbur has remained devoted to precision of language and expression. Even when speaking of teaching, a job he enjoyed before retiring recently, he bemoans the need to convey information quickly in a classroom, a pressure that compels professors to "settle for second-rate language all day. You settle for whichever words come to you. That erodes the soul."

"It is always a matter, my darling / Of life or death," he wrote once about writing poetry, and says now of those lines, "The feeling of coherence and relief I have when I write a poem that's clarified the world for me, it does feel like that. I would feel dead if I didn't have the ability periodically to put my world in order with a poem. I think to be inarticulate is a great suffering, and it is especially so to anyone who has a certain knack for poetry."

Since Wilbur published his first book, "The Beautiful Changes," soon after returning from over-



Richard Wilbur: "I think to be inarticulate is a great suffering."

seas in World War II, he has been praised for his "poetry of ideas," and for the wit and formal grace of his work. The feeling for form, for crafting lines and stanzas and quatrains "comes naturally. The expressive handling of meter is as natural as a walk is to a good waltzer."

But the process is hardly as spontaneous as a dance. Wilbur bestows exquisite care on each word and says he writes extremely slowly. "I'm in danger of self-approval — if I write a first draft with slovenly words, or leave blanks for clever words to fill in later, what I have written is likely to satisfy me too much. Writing involves lots of doubt, lots of groping around, waiting for a word that may not be there until next Tuesday. I don't want to go ahead until I'm certain Lines 1, 2 and 3 are right."

Some critics have argued that Wilbur's verse, while technically splendid, lacks fire and a feel for the darker side of life. Wilbur has said he believes "that the ultimate character of things is comely and good," a faith that may at times

seem out of sync with the realities of the modern world outside the confines of academia. But that faith also gives his work a clear-minded serenity, even when describing the loneliness of an insomnia.

Someone is breathing. Is it I? Or is it
Darkness conspiring in the nursery corner?
Is there another lying here beside me?
Have I a cherished wife of thirty years?
For overhead, a long susurrous, twisting,
Clockwise or counterclockwise, plunges east,
Twin floods of air in which our flagellate cries,
Rising from love-bed, childbed, bed of death,
Swine toward recurrent day. And further still,
Couched in the void, I hear what I have heard of,
The god who dreams us, breathing out and in.
"In Limbo"

His translations are now produced frequently. "Your assurance on the status of the original," he says of translating Moliere or Racine, it never occurs to me that I'm wasting my time. I know I will probably do a pretty good job, perhaps better than others might, and contribute something to society. I don't feel that way at all when I start to write a poem of my own. It's like that World War II slogan directed at people who were wasting gasoline: "Is this trip necessary?" That's how you feel when you're beginning a poem. It's so wonderfully uncalled for to write a poem where there was none before."

PEOPLE

Israelis Drop the Curtain On Cicciolina's Show

Cicciolina, the Italian porn star turned legislator, was ejected from the sacred Western Wall hours after Israeli officials revoked her permit allegedly for performing a lewd act in her nightclub show. Orthodox Jews threw chairs at the 37-year-old stripper and blue-movie performer before she was removed by the police Sunday from the last remnant of the ancient temple destroyed by the Romans in A.D. 70, commonly known as the Wailing Wall. Cicciolina, born Fiona Staller in Hungary, was elected in June to Italy's Parliament as a member of the gadfly Radical Party. She said on arriving in Israel Thursday that she came as "a representative of love."

At 22 cents, former Black Panther Eldridge Cleaver's wooden sign, embellished with his autograph, was a good deal, says Byron Oniskis, who bought it at a \$200 sale at Cleaver's home in Berkeley, California. The sale raised \$250 for a legal defense fund related to his arrest Oct. 2 on a cocaine possession charge. The sign read: "If we all work together we can totally disrupt the system."

In Eugene, Oregon, former California Chief Justice Rose Bird, who lost her post last year after a campaign by political conservatives, received the first Wayne Morse Award for integrity in politics. Bird, 51, was praised by former Oregon Supreme Court Justice Betty Roberts for her "strong character and unwavering dedication to the court" despite "periods of painful personal controversy." The award is named for the former Oregon senator, who died in 1974.

Paul Greenberg, editorial page editor and columnist for the Pine Bluff Commercial in Arkansas, is this year's winner of the H.L. Mencken Award for commentary. Greenberg, a 1969 Pulitzer Prize winner, was honored for a column about the return to Arkansas politics of former Governor Orville Faubus, who used National Guard troops to block the desegregation of Little Rock schools in 1957. In his winning commentary, Greenberg wrote: "How many generations of Americans have the opportunity not only to taste the genuine snake oil of an earlier time but to buy it from the self-same salesman?"

INTERNATIONAL CLASSIFIED

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